



Welcome to

Understanding Poverty: A Behavioral Economics Approach

To join the audio portion by phone, please dial: **800.988.9407**
Passcode: **9460490**

This session will begin shortly.

Corporation for
**NATIONAL &
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SERVICE** 



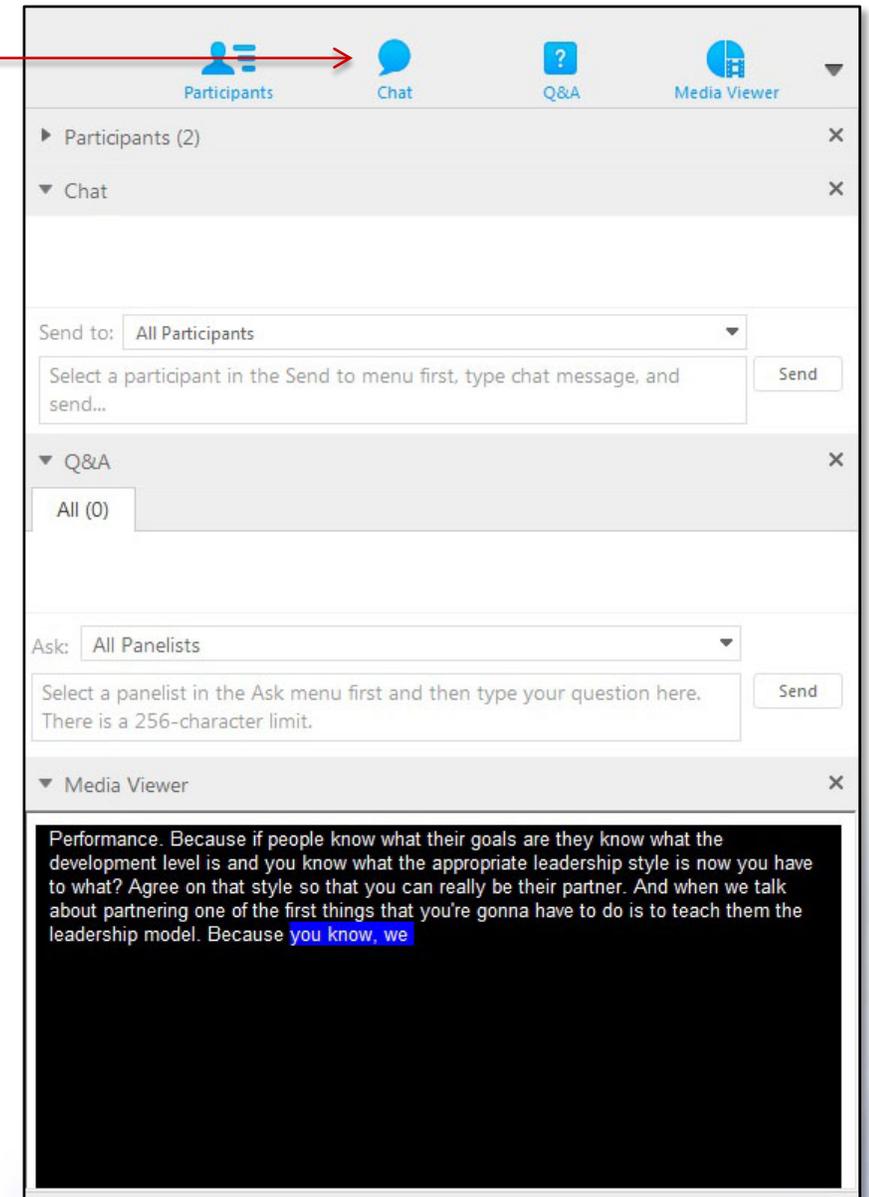
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Tips for Participating

- Phones are muted
- To share comments and ideas, use the Chat panel. Send to “All Participants”.
- To ask questions, use the Q&A panel. Send to “All Panelists”.
- Links and recording will be available after the session
- Closed Captions can be viewed in the Media Viewer panel

Click this button if you don't see the chat panel.



The screenshot shows a meeting interface with a top navigation bar containing icons for Participants, Chat, Q&A, and Media Viewer. Below the navigation bar are four panels: Participants (2), Chat, Q&A, and Media Viewer. The Chat panel is currently active, showing a 'Send to' dropdown set to 'All Participants' and a text input field with a 'Send' button. The Q&A panel is also visible, showing an 'Ask' dropdown set to 'All Panelists' and a text input field with a 'Send' button. The Media Viewer panel is at the bottom, displaying a video feed with closed captions. A red arrow points from the text above to the Chat icon in the navigation bar.



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Understanding Poverty: A Behavioral Economics Approach

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Dial:

Passcode:

Today's Team



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Session Goals

By the end of the webinar, you will be able to:

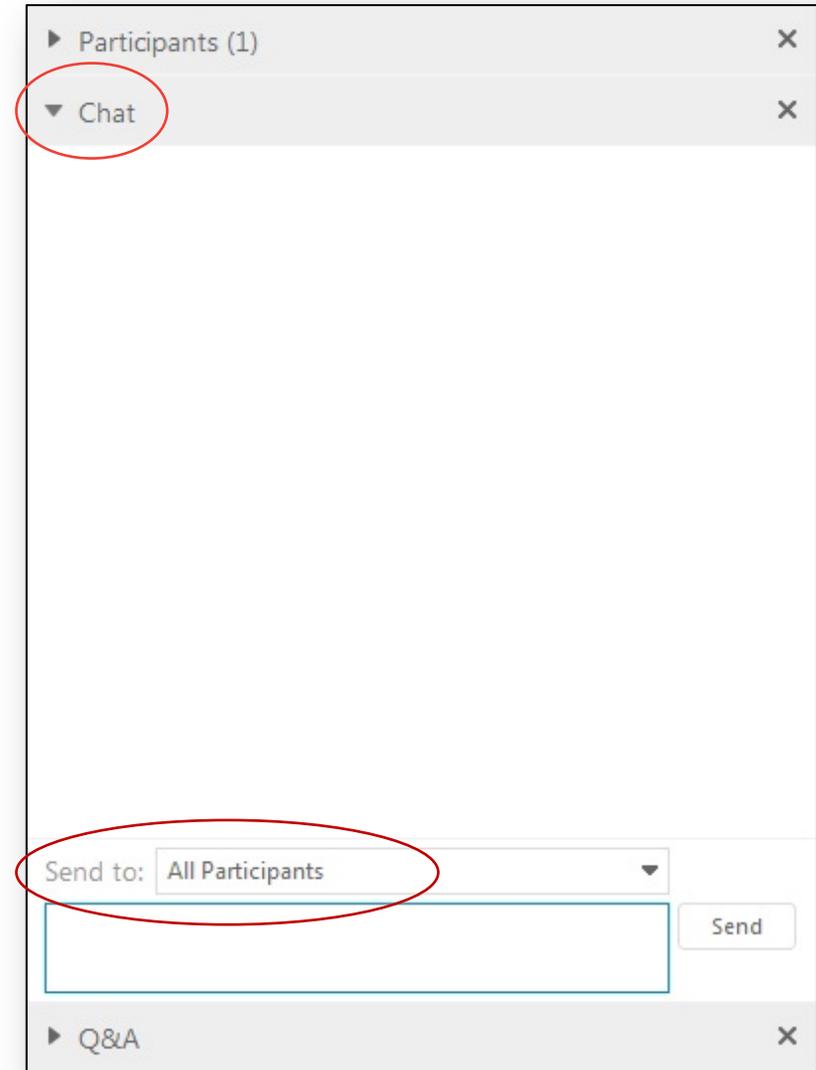
- Identify factors that influence decision making
- Describe common responses to complex decisions
- Explain how scarcity can inhibit our ability to make informed decisions.
- Describe concrete solutions that aid people in poverty with decision-making.

Today's Agenda

- How people make decisions
- Inhibitors of informed decision-making
- Strategies to support more informed decisions, and how they could address common challenges confronting the poor
- Q & A

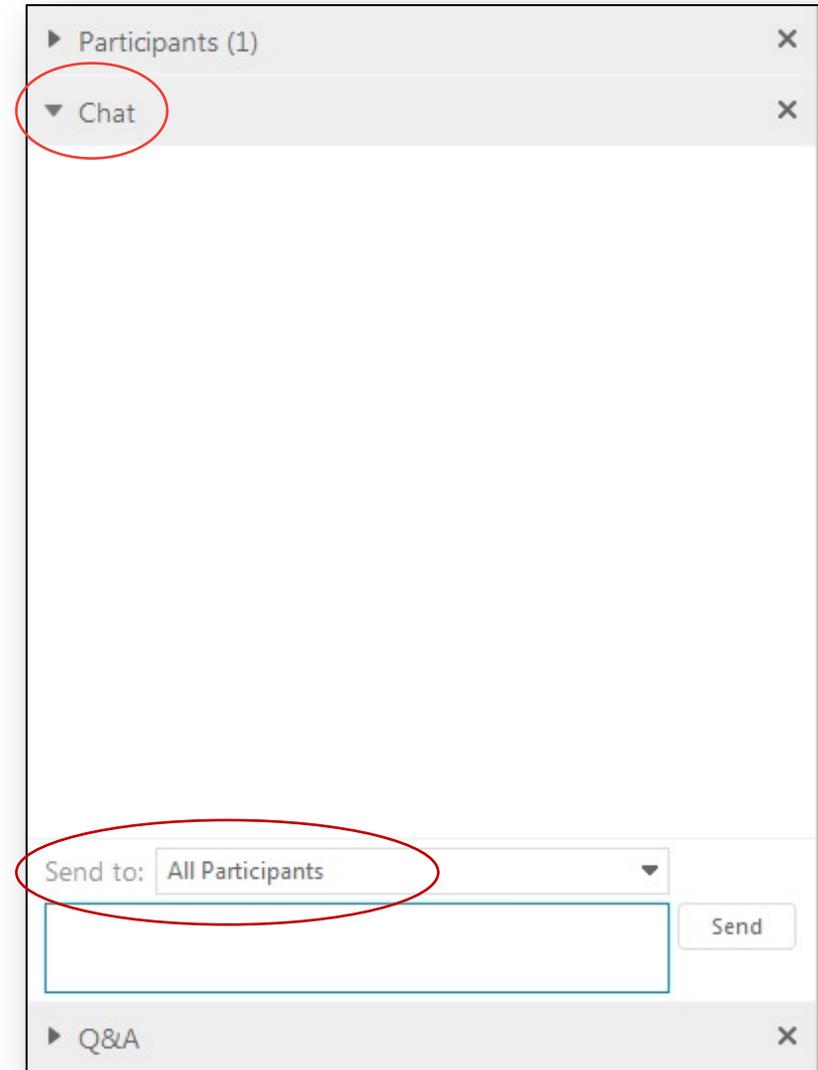
Confronting complex tasks and decisions

- How do you approach planning to complete complex tasks, like a big report, in advance of when they're due?



Confronting complex tasks and decisions

- What obstacles can get in the way of executing plans you develop to complete a complex task like a big report?



A personal example

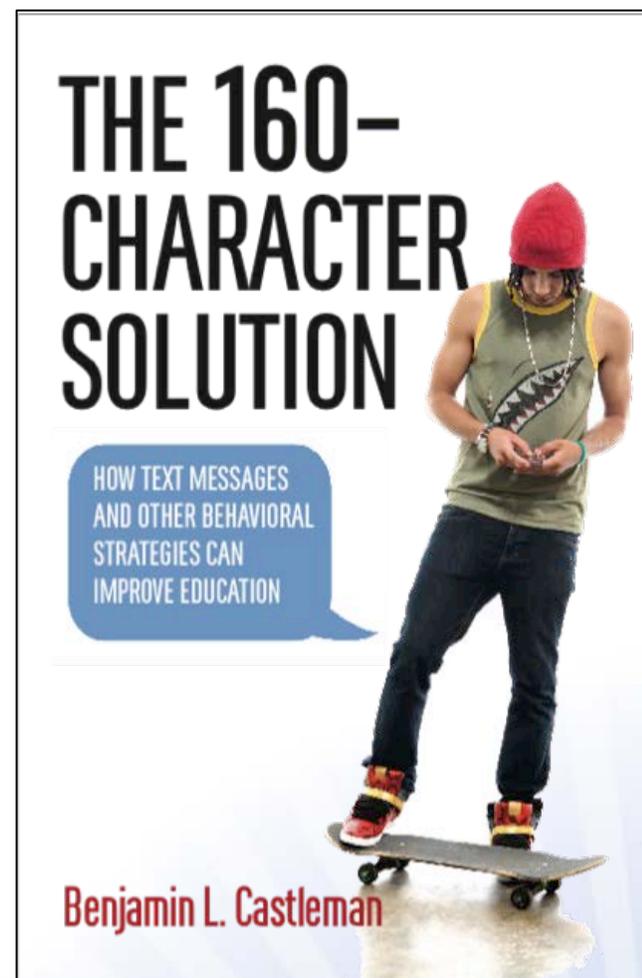
- Last April I started writing a new book...
- I would block out 3-hour chunks of my day to write, but kept getting distracted...



Notifications

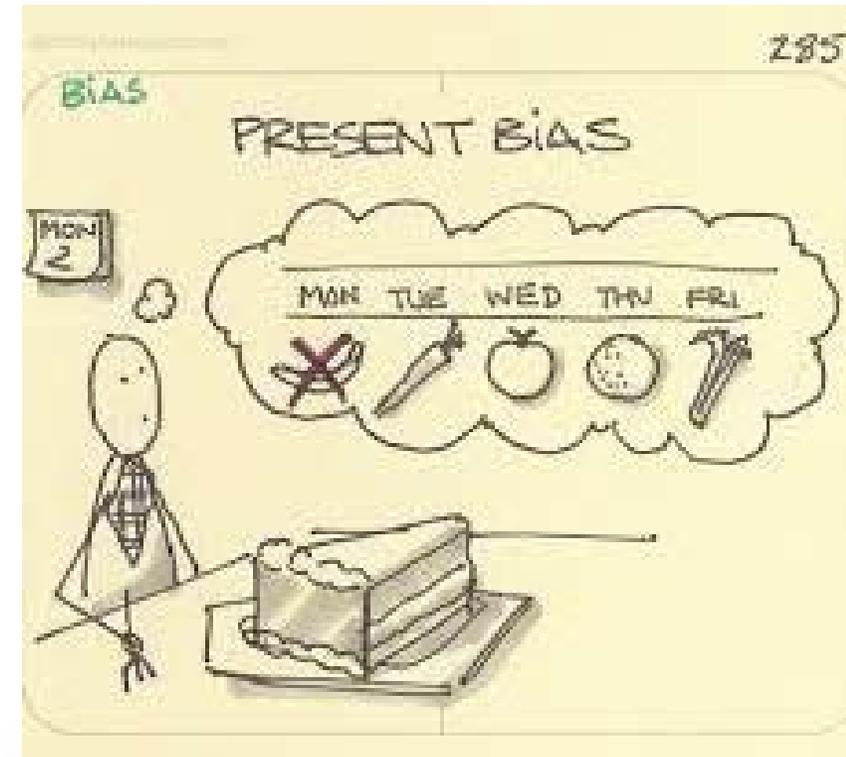
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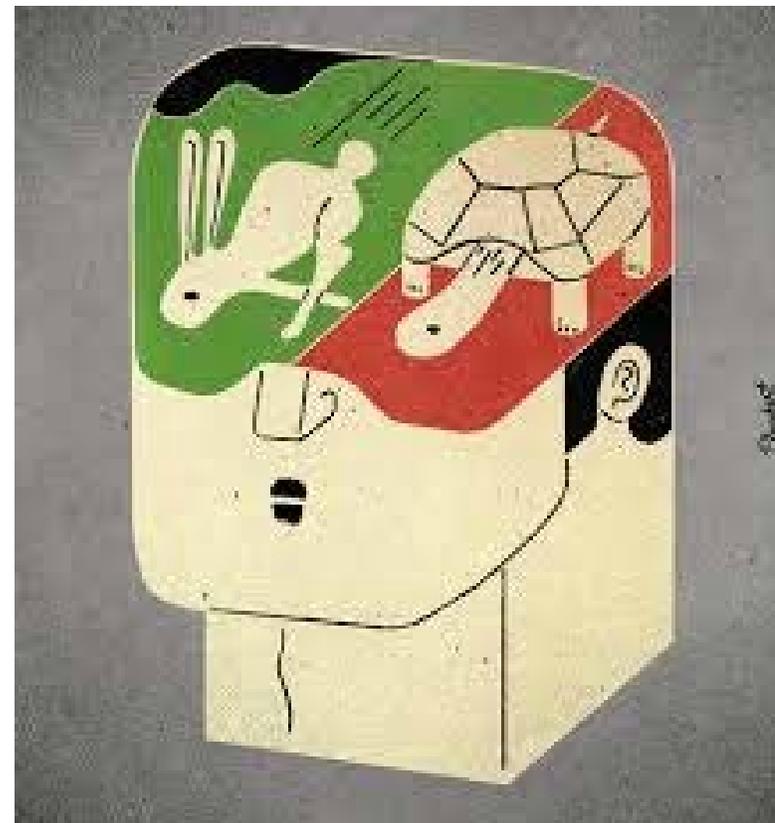
Common behavioral responses

- Commitments for the future can conflict with present impulses
- Distractions make it hard to devote adequate time to completing a task
- Being overly optimistic, we don't always set aside the time required



The neurology of decision-making

- The brain is governed by two interconnected systems:
- **An accelerator** that responds to immediate stimuli and impulses.
- **A brake** that is responsible for logical analysis, careful deliberations, and conscious reflection.



The neurology of decision-making

- Traditional view of decision-making: impartial cost-benefit analysis
- In reality, our impulsive system is often covertly at work, shaping our decisions in ways we are not always conscious of

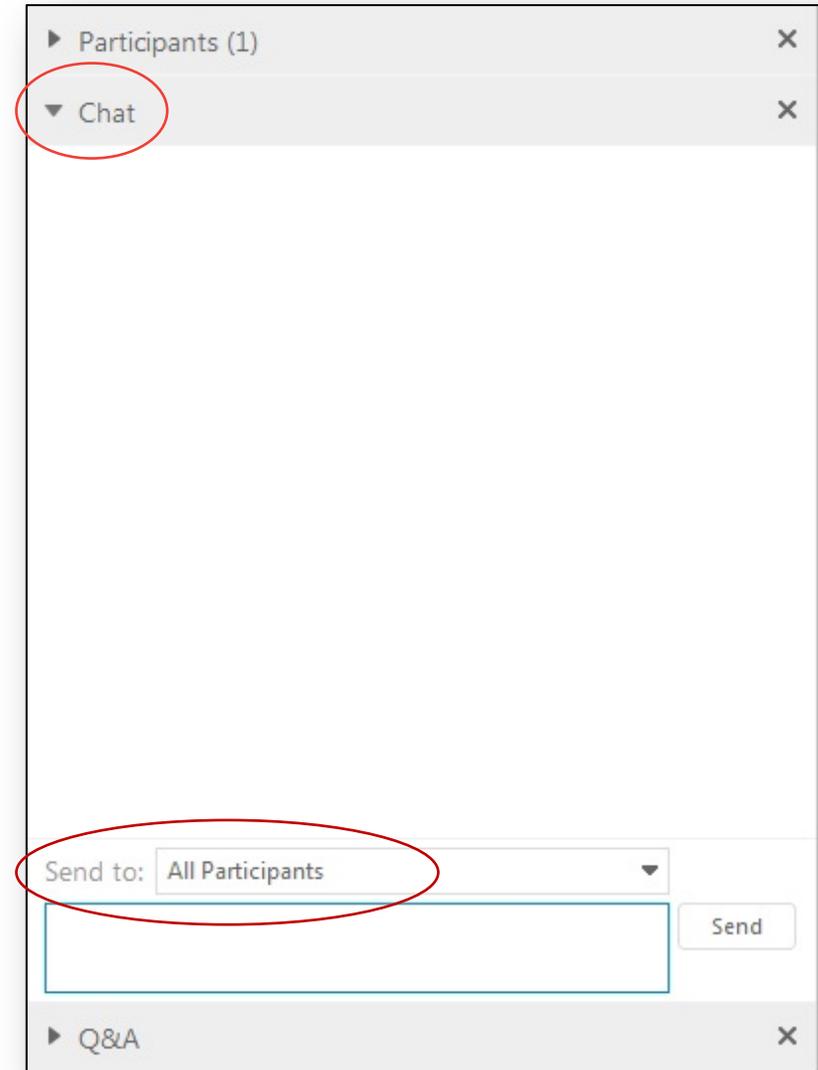


Decision-making tendencies

- Ways our impulsive systems affect the decisions we make:
 - Present impulses outweigh future goals
 - Simplifying strategies when faced with complex choices
 - Decisions based on emotional attachment
 - Sticking with the status quo

Present impulses vs. Future goals

- What goals, personal or professional, have you set for yourself in the past six months (this includes New Year's resolutions)?



Present impulses vs. Future goals

We gravitate towards immediate needs or enjoyable stimuli even if they are in conflict with longer term objectives



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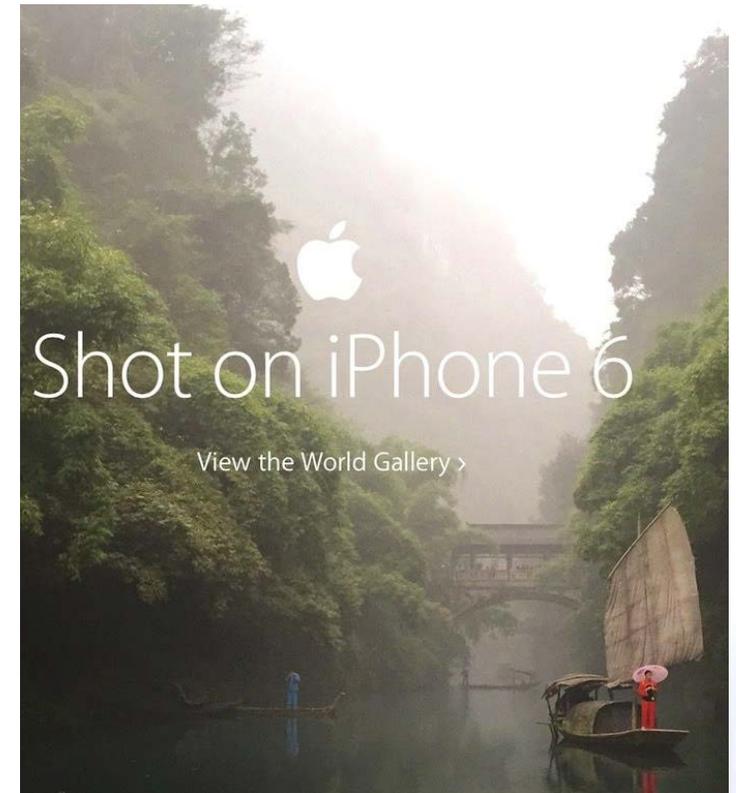
Simplifying strategies

- Used to make choices when a more informed decision would require us to wade through complex information
 - Anchors: Net price vs. sticker price of college



Emotional attachment

We make decisions based on emotional attachments we feel to a product or opportunity rather than an objective assessment of what best helps us achieve our goals



Sticking with the status quo

We put off making any decision at all when choices are complex or we are faced with competing distractions



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Catalysts of careful decision making

- Complex decisions still get made; complex tasks still get done.
- Factors that support careful decision-making
 - Motivation - belief that investing time and energy will yield positive benefits
 - Urgency - impending deadlines
 - Salience - consequences of not completing the task are apparent and substantial

Inhibitors of careful decision making

- Several factors can also inhibit us from making careful decisions.
 - Limited attention
 - Choice overload
 - Adolescence
 - Scarcity

Limited attention



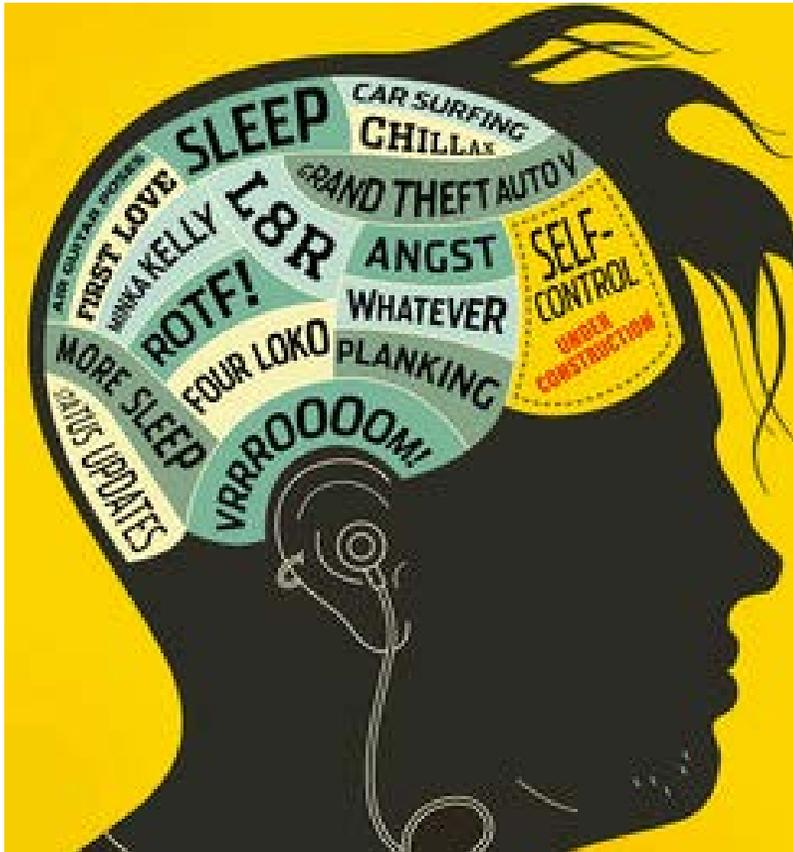
The more distractions people have in their lives, the less cognitive bandwidth they can devote to complex decisions

Choice overload



- When faced with multiple and complicated choices, people commonly put off making any choice at all or use a simplifying strategy to make a decision
- Choice complexity vs. choice volume

Adolescence



- Adolescents' accelerator systems are firing at full cylinders, while the braking system is just starting to develop.
 - Helps explain teenagers' distractibility and focus on the present
 - Helps explain helicopter parenting

Scarcity



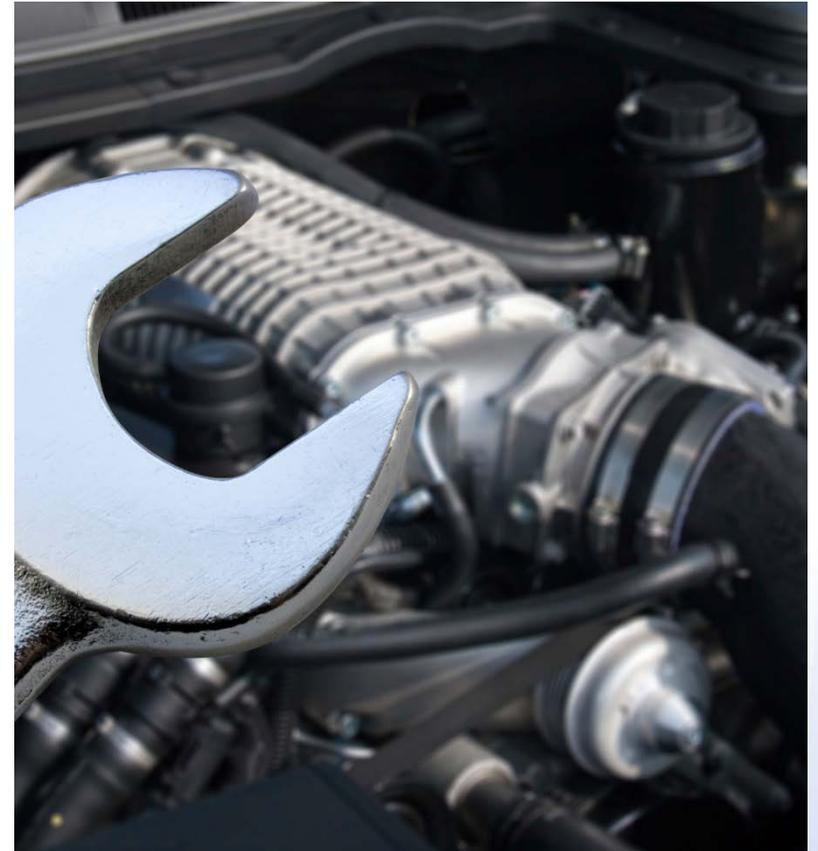
- Each of these inhibitors is a form of scarcity: attentional scarcity, cognitive scarcity, developmental scarcity
- Scarcity is like a tax on our cognitive bandwidth, limiting the amount of thought we can devote to a given decision

Financial scarcity

- Poverty is a pernicious form of scarcity, negatively impacting people's cognitive performance and decision making
- As more cognitive capacity is devoted to monetary concerns, cognitive performance suffers
- People in poverty often have less room for error if the decision they make results in a negative outcome

Financial scarcity

Imagine that your car has some trouble, which requires a **\$300** service. Your auto insurance will cover half the cost. You need to decide whether to go ahead and get the car fixed, or take a chance and hope that it lasts for a while longer. How would you go about making such a decision?



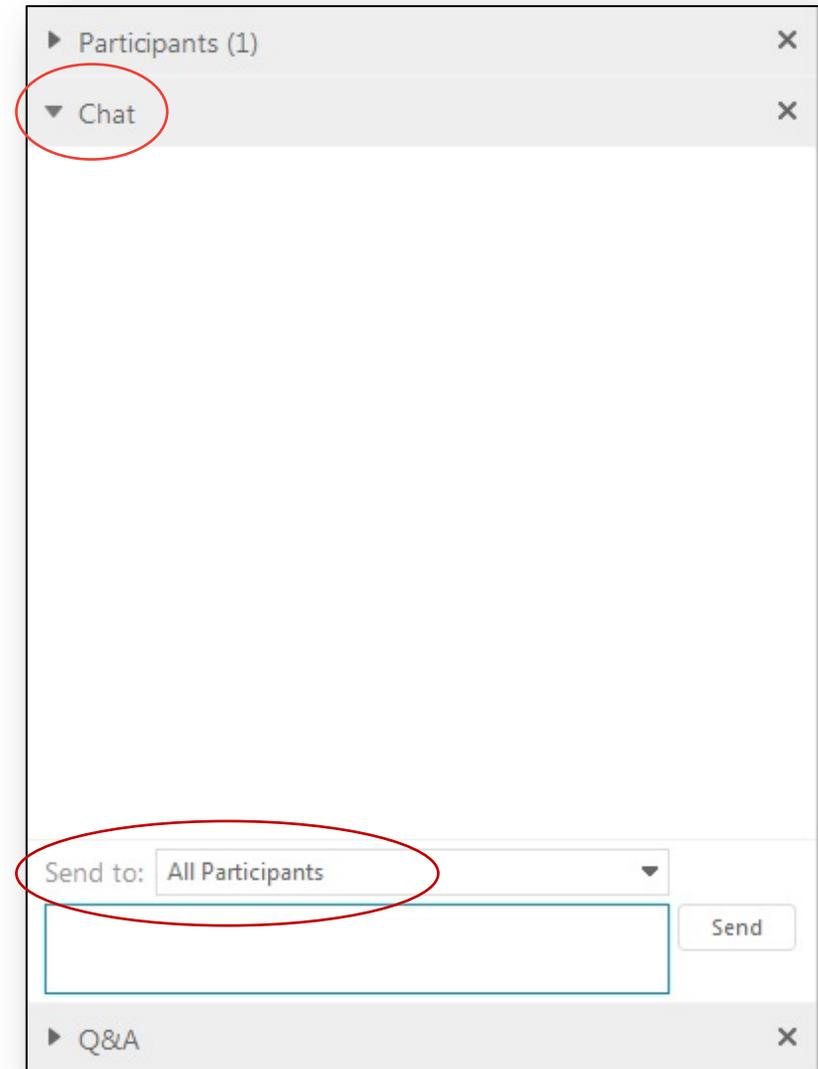
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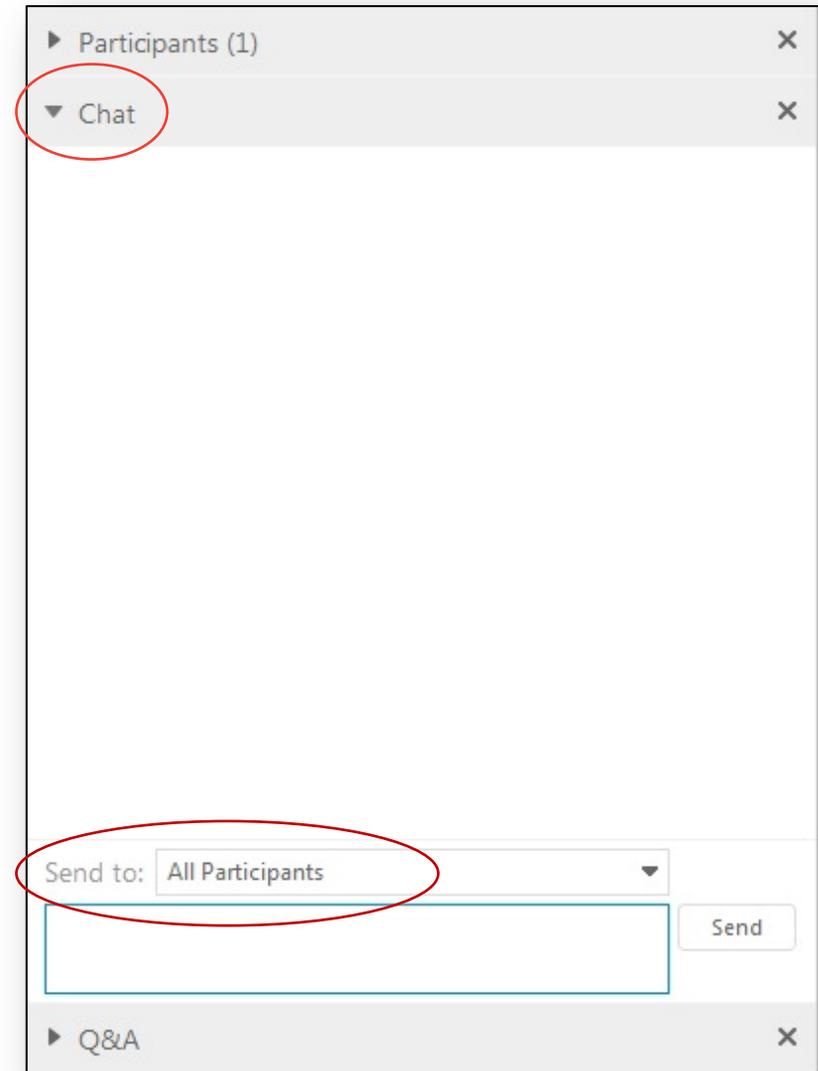
Chat Question

- What forms of scarcity affect you in your VISTA work, or affect the people that your VISTA program serves?



Chat Question

- How do you think this scarcity might affect people's decisions or behaviors?



Strategies to support more informed decision-making

- **Defaults:** change status quo if people make no decision
- **Commitment devices:** help people commit to their future goals
- **Prompts:** nudge people to follow through on their intentions
- **Choice architecture:** change how options are presented
- **Framing:** change how information is framed
- **Simplification:** simplify information or choices
- **Reduce hassles:** Eliminate barriers to program participation

How do we help low-wage workers accumulate savings?

- **Policy challenge:** How do we encourage higher rates of saving?



How do we help low-wage workers accumulate savings?

- **Default strategies:**
 - Make paycheck direct depositing the default option
 - Automatically enroll children in savings accounts (w/ auto deposit)
- **Commitment device strategies:**
 - SALO alternative to payday lending
 - Save More Tomorrow retirement planning



How do we help low-wage workers accumulate savings?

- **Prompts strategies:**
 - Text reminders for people to contribute to financial savings accounts



How do we improve health outcomes among low-income populations?



- **Policy challenge:** How do we encourage healthier lifestyles and preventive medical care?

How do we improve health outcomes among low-income populations?



- **Choice architecture strategies:**
 - Change the type of food students encounter in the cafeteria— intrusive salad bar, fruit at the register
- **Information framing strategies:**
 - Emphasize the costs of neglecting medical care rather than the benefits of seeking care

How can we improve education for low-SES children?

- **Policy challenge:** How do we help students and families access high-quality school environments where they are better positioned for success?



How can we improve education for low-SES children?

- **Simplification strategies:**
 - Reducing complexity of information about school choice
- **Prompts strategies:**
 - Texting parents pre-literacy strategies to use with young children

Monday: FACT: Beginning word sounds are essential for reading. You can help your child learn to read by saying the beginning sound of words. "Read" starts w/ "rrr."

Wednesday: TIP: Say two words to your child that start with the same sound, like happy & healthy. Ask: can you hear the "hhh" sound in happy & healthy?

How can we increase uptake of available social programs?

**We Accept
SNAP
Benefits**



- **Policy challenge:** How do we encourage families to participate in social programs that benefit their children?

How can we increase uptake of available social programs?

- **Prompts strategies:**
 - Sending people reminders can help them avoid procrastinating on a task they intend to complete
- **Hassle reduction strategies:**
 - Eliminating application barriers can help people take advantage of social programs

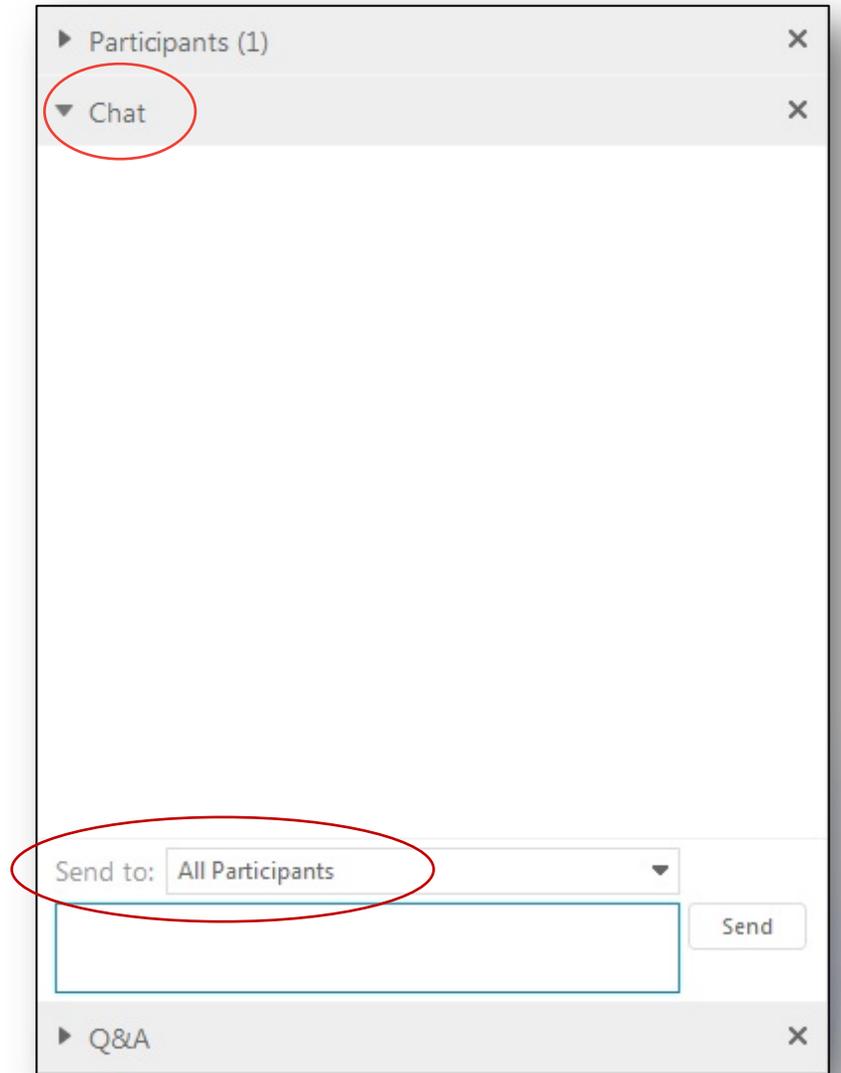


How can these strategies be applied to VISTA members' organizations and programs?

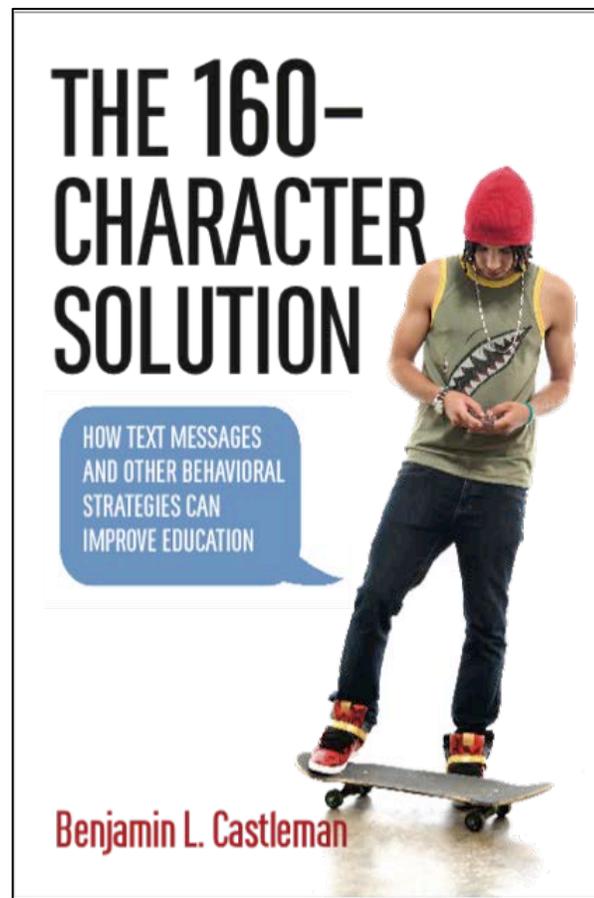
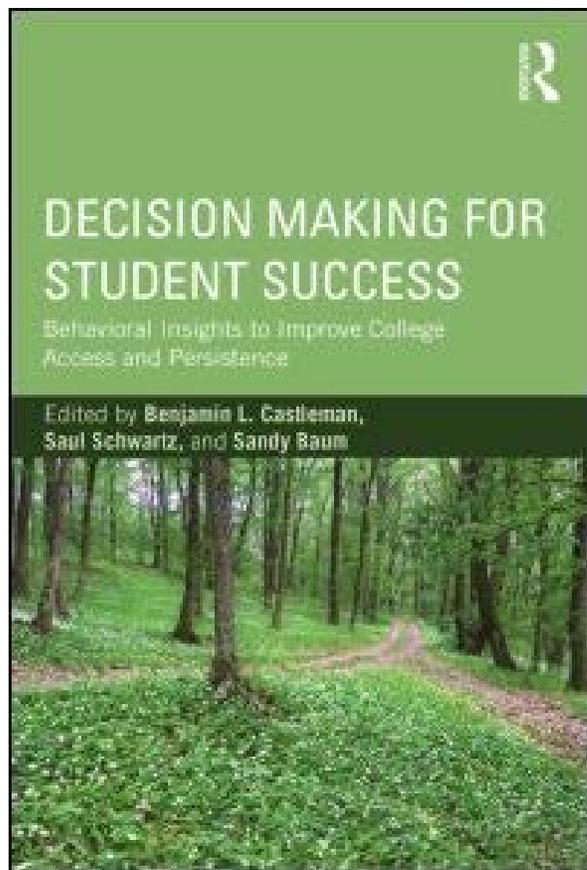
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Applying behavioral insights to your VISTA program

- How could you apply some of the behavioral strategies we discussed to your VISTA program?



Want to learn more?



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Evaluation

- Please take a few moments to share your feedback through the quick poll on the right side of the screen.
- How can we improve these sessions? What topics should we include in future webinars?
- Thank you very much for your time and participation!

Questions ?

- To ask a question verbally, call in using the number on this slide and press *1
- To ask a question electronically, use the Q&A feature located in the bottom right corner of the screen. Please ask “All Panelists”

The screenshot shows a user interface for a Q&A session. At the top, there are three menu items: 'Participants (2)', 'Chat', and 'Q&A'. The 'Q&A' item is circled in red. Below it, there is a dropdown menu currently showing 'All (0)'. At the bottom of the screen, there is a text input field and a 'Send' button. The 'Ask:' dropdown menu is also circled in red and currently displays 'All Panelists'.

Thank You for Your Participation!

If you have further questions or for more information, contact us:
VISTAwebinars@cns.gov

Our next webinar:

Writing Winning Proposals: Advice
from an Experienced Grant Reviewer

June 11, 2015

2:00pm Eastern

*Visit the Webinars for VISTAs page on the VISTA Campus
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