Get Action Instead of Indifference: Using Behavioral Economics Insights to Deliver Benefits Messages

Can the way you frame a message really make a big difference in whether people will get a health screening, consider a high-deductible health plan or save for retirement? Research in behavioral economics demonstrates that the answer is "yes!" This article provides practical advice on how employers can use two behavioral economics principles—framing and social norms—to create more powerful, effective messages that will lead to action instead of indifference.

by **John Moses, Ph.D.** | *Aon Hewitt*

Have you ever had one of those head-slapping moments where you wonder what employees are thinking when they make their benefits decisions?

Why aren't the messages you're using to try to help employees make thoughtful, smart benefits decisions working better? Why don't employees see the obvious logic in your messages and make the right choices? Even if the words aren't moving them, what about the numbers? Why don't the huge numbers around health risks have more impact? How can we get people to take advantage of *free* screenings? How can we get more people to stop overinsuring and consider high-deductible health plans? Why aren't they participating in 401(k) plans when an employer match (free money!) is available?

Here's an example that's probably familiar to many of you.

Are you one of the corporate benefits professionals who tried for years (over 25 years for some of us) to convince employees that health care flexible spending accounts (HCFSAs) provided real financial advantages? Data would suggest that, collectively, we weren't very successful. As of 2012, slightly over 21% of employees had HCFSAs.[1] That means many people missed out on the significant tax savings they could have gotten if they had used an HCFSA.

A few years ago, a professor friend of mine in behavioral economics worked with the benefits director at a university to field an experiment. She wanted to see if a simple change in wording would make a difference in whether people would put money into an HCFSA. She randomly divided the university's employees into two groups, with each group having similar profiles, based on key demographic factors including age, salary and gender. One group received a postcard that said, "Start Saving Money! Use a Health Expense Account." The other group received a postcard that said, "Stop Losing Money! Use a Health Expense Account." The postcards were exactly the same in all other respects. When the enrollment data for HCFSAs were reviewed, significantly more of those in the "Stop Losing Money!" group had contributed to an HCFSA.[2]

Why would a simple wording difference have that much influence? Behavioral economists can tell us why people respond better in some instances to a "loss-framed" message than to a "gain-framed" message, which we will examine a bit later in this article.

Behavioral economists provide a number of keen observations that can help us understand why our people seem to make poor decisions. They also provide a number of valuable insights into what we can do to help people make better ones. We can use these insights to create messages, tailor plan designs and arrange activities that can help our employees and their families make wise choices and get more value from their benefits plans.

This article provides suggestions on how we can use two behavioral economics principles to deliver more effective benefits messages and get action instead of indifference from employees.

Before we get to those two behavioral economics principles, let's consider the question: "What sort of decision-making capabilities *should* we expect from our people?"

Is It Rational for Us to Expect Rational Decisions?

One of the reasons we see such frustration from benefits professionals about the decisions their employees make regarding benefits is that benefits designs, communication and delivery are based on assumptions about peoples' behaviors that are proving to be inaccurate.

Classical economists assume that people always approach decisions in a rational way and work to make decisions that always will be in their own best interests, financially and otherwise. Herbert Simon, a cognitive psychologist and the 1978 Nobel winner in economics for his work in decision making, said that people aren't really like that. He said that people are "boundedly rational." By *boundedly rational*, he meant that humans aren't completely rational, like classical economists (and most benefits professionals) assumed, but neither are they irrational.[3,4] He meant that people do the best they can to make decisions, given the constraints of time, money, thinking abilities and emotions.

Subsequent research in behavioral economics has documented what many of those challenges are and has shown that our limitations are consistent and predictable. That's good news for those of us who need people to make good decisions about benefits. It means we can anticipate the types of challenges that people may face when making benefit decisions and help people deal with those challenges in a practical way.

Two Behavioral Economics Principles to Make Your Messages Work Better and Drive Action

For both of these behavioral economics principles, we'll first consider what the principle is and then provide suggestions for how to use it.

Behavioral Economics Principle #1: Frame your messages so people will clearly understand how they might "gain" from doing something or how they might "lose" if they don't do something.

What Is Framing?

A *framing* effect occurs when people tend to make different choices depending on how a choice is presented. For example, people tend to make different choices about whether to have medical procedures done depending on whether the outcomes are framed as "survival rates" or "mortality rates." A doctor could tell a patient who's considering surgery either of these:

- The one-month survival rate is 90%.
- There is a 10% mortality rate in the first month.

We know, rationally, that they are mirror images—the same thing stated in different ways.

Practically speaking, people are highly motivated to avoid something they would consider a loss. A loss could be financial (e.g., money), social (e.g., job status, friends), emotional (e.g., regret) or physical (e.g., illness).

Yet, many studies over the years found that people chose differently depending on how the outcomes were framed. In this example, not only did prospective patients choose differently, but experienced doctors who were presented with different framing options chose differently.[5] Framing affects everyone—older, younger, higher education level, lower education level, etc. It's part of how we, as humans, process information.

One aspect of framing that makes the impact so potent, and a primary tenet of behavioral economics, is "loss aversion." *Loss aversion* means that "losing hurts worse than winning feels good." This startling insight came from research done by 2002 Nobel Prize winner Daniel Kahneman and his research partner, Amos Tversky.[6,7,8]

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Using gain- or loss-frame approaches can make your benefits messages more brisk, vibrant and emotionally moving.

How to Use Framing

First, realize that you should frame most of your messages, unless they are primarily informational or legal, such as summary plan documents. One opportunity that's often missed in benefits communications is to proactively frame messages to spark an emotional and motivational reaction in your employees.

Our employees would be better off if we were to stop sending inert messages like these:

- "It's time to get a mammogram."
- "This year we are offering a high-deductible health plan with a health savings account."

Instead, frame messages like these, highlighting what your employees stand to "gain" or "lose" by their actions or inactions:

- "Set a good example for your daughter and get peace of mind. Get a mammogram." (Gain frame.)
- "Your family needs you now . . . and later. Get a mammogram." (Loss frame.)
- "The high-deductible health plan provides medical coverage for your family today, plus a health savings account for tomorrow." (Gain frame.)
- "Are you really going to pass up the $500 PremierCo will give you when you enroll in the high-deductible health plan?" (Loss frame.)

If people think there is potential for a significant improvement to their current status quos, then they have a greater chance of acting on your message (a *gain frame*). On the other hand, if people think there is potential for a significant downgrade from their current status quos, then they have a greater chance of acting on your message (a *loss frame*).

Second, decide which framing approach would work best for the people in the situation you're targeting.

While either gain-framed or loss-framed messages can work well, there are circumstances that will indicate which type of framing might be more effective. In the health and wellness area, research has shown that gain frames tend to work better to drive prevention (e.g., using sunscreen) and treatment behaviors (e.g., taking prescribed medications), but loss frames may work better to motivate detection behaviors (e.g., screenings).[9, 10] Loss framing seems to be particularly effective to motivate women to get mammograms.[11, 12]

In another example, as we've worked with clients using The Futures Company's Living Well™ segmentation model, we've noted that those in the Value Independence segment, who tend to be skeptical of health claims, are more accepting of loss-framed messages. Promises of good things to come from gain-framed messages can heighten skepticism among those who view health through an "I'll believe it when I see it" lens.

Commonly Asked Questions About Framing

There are a couple of frequently asked questions about using framing.

The first is, "Is it appropriate to use a loss frame in a corporate benefits setting?"

The answer is, "Sure it is." Up until recently, many employers were skittish about using loss framing because they didn't want to position anything in the negative. Since some substantial portion of benefits messages over the past ten to 15 years have been about "takeaways" or cost increases, benefits managers have been concerned about creating any more anxiety among employees, even in a mild form that could prove motivating.

However, with increasing emphasis on getting employees and their dependents to take greater accountability and actions, especially around health and retirement, employers are willing to consider broader, more effective approaches. It's not unusual to see health or wellness plan designs that include financial "consequences" or "penalties," such as tobacco-user rates for medical or life insurance.

The point of using a loss-framing approach is to activate people to seek ways to avoid a potential loss. The way we want to direct them to avoid that potential loss is by taking the suggested action, e.g., getting a health screening, putting more money in a 401(k), etc. In loss framing, that "activation" will be preceded by some discomfort—strong enough to move people to action, but mild enough to not create fear or panic. The optimal emotional reaction among people reacting to a loss-framed message would be some level of concern, worry or desire to avoid regret (a quite powerful motivator).[13]

One misperception that some employers have about using loss framing is that the messages would be too extreme; i.e., using "scare tactics" or "fear appeals." A *fear appeal* is "an approach designed to scare people by describing the terrible things that will happen to them if they do not do what the message recommends."[14] We would strongly discourage using anything in a work setting that would be a fear appeal, such as gory language or pictures.

The second question is, "If I decide to use a particular type of framing for one message in a campaign, do I have to use that type of framing for all the messages in that campaign?"

The answer is, "Definitely not." In fact, in all likelihood, it will help your people's decision-making processes to provide both types of framing during a campaign. First, it could help them see both the potential gains and the potential losses in a particular situation. Second, if a person isn't motivated by one type of frame, perhaps he or she will be motivated by the other. However, do not try to use both a gain frame and a loss frame in the same article, e-mail or message. Your goal is to evoke a distinct reaction to each piece, not create confusion.

Framing Actions to Take

The next time you need to try to get your employees to do something, consider the following:

- What will people *gain* if they do this—financially, socially, emotionally or physically?
- What will people *lose* if they don't do this—financially, socially, emotionally or physically?
- Will promoting the gains work better in this situation, with these people, or would highlighting the losses work better?
- How should I craft the message to actively suggest, or promote, either gains or losses?

Behavioral Economics Principle #2: People strive to do what is "socially expected and acceptable." Use the correct social norms approaches in your communications to drive actions.

Have you ever done "the wave" at a sporting event? That's a great example of how people take social cues to join in a behavior.

One of the primary ways that we know how to behave or what to do in certain situations is to see what other people are doing. That's especially true when we're uncertain about what the right thing to do is. We take cues from those around us for several reasons:

- We need to make quick decisions.
- We observe what leads to success or failure for others.
- We want to conform to accepted social norms.
- We want to be accepted by others.

Over the past few years, Dr. Nicholas Christakis and Dr. James Fowler published research that clearly showed people tended to gain weight when their friends and families gained weight,[15] that people tended to stop smoking when their friends and families stopped smoking[16] and even that a person's individual happiness can be predicted by how many happy people are in her social network.[17]

Since social cues and social norms are powerful in directing behavior, let's discuss three ways to successfully integrate social norms approaches into your benefits communication . . . and how to avoid one frequent mistake.

Descriptive Norms: Point Out What the Majority of People Are Doing Right

Social proof is the tendency to view a behavior as correct in a given situation to the degree that we see other people doing it.[18] Generally speaking, people figure that they will make fewer mistakes if they do what other people do.

Therefore, one great way to use social proof to influence behavior is to point out, specifically, what a majority of your people are doing right. This is called using a *descriptive norm*.

In 1994, the Minnesota Department of Revenue tested using a descriptive norm as it struggled to collect state taxes from the approximately 10% of Minnesota citizens who weren't paying them.[19] In their real-world field experiment, they sent nontaxpayers one of two letters and then measured subsequent tax payments to see which letter had the greatest impact on tax revenue:

- *Logical approach*—The letter described how state taxes were used for beneficial public services that most citizens shared, like education, snow removal and police protection.
- *Descriptive norm*—The letter described how more than 90% of Minnesotans complied, in full, with their tax obligations.

Results indicated that the descriptive norm letter was significantly more effective than the logical letter in getting people to correctly calculate and submit their state tax payments on time.

In your benefits world, descriptive norm messages might look something like these:

- "Last year, over 85% of all PremierCo employees, and over 90% of employees at your location, got a flu shot."
- "Nine out of ten PremierCo employees signed the 'no texting while driving' pledge."
- "Four out of five employees contribute enough to the 401(k) to get the Company matching funds."

One final hint regarding descriptive norm communications: The more similar you can make the descriptive norm comparison to the target group, e.g., "people at your location" or "sales associates," the more likely people are to copy the desired behavior.[20]

Injunctive Norms: Set the Social Rules for What's Acceptable and What Isn't

Descriptive norms work great if you have convincing numbers that show the majority doing the right thing. What if you don't have convincing numbers to show?

In cases where you haven't achieved a norm-worthy level of action to support a descriptive norms approach, you can use an injunctive norms approach. An *injunctive norm* describes which behaviors are and are not approved. Additionally, it can promise social rewards or threaten social punishments.

An injunctive norm used in an organizational setting becomes a part of the culture; a part of the "this is who we are and what we stand for."

Most organizations don't have a problem setting injunctive norms around things like workplace safety practices or smoking. In the past few years, though, more organizations are setting injunctive norms around things like using cell phones and texting while driving. Companies such as DuPont, UPS, Chevron and Shell banned all cell phone usage while driving.[21] One employer's injunctive norm around cell phone use is stated like this: "The driver of any vehicle in motion shall not operate a cell phone at any time the vehicle is in motion."

One client we work with had done voluntary, but financially incented, biometric screenings and health risk assessments for years. The organization wanted people to come to realize the inherent value in doing those things and how those were part of the company's culture. This past year, we helped it roll out an injunctive norm that said that from now on, biometric screenings and health risk assessments are expected behaviors.

The message used to be, "You *should* do this," but now it's:

> We're passionate about helping our customers on their paths to better health. To succeed, we all need to be on the same path ourselves. Starting now, all employees enrolled in one of our medical plans must get a health screening and complete an online health risk assessment **every year.** Why? The evidence is clear that these are the right things to do.

Don't Use a Descriptive Norm That Highlights Bad Behavior!

On an almost daily basis, we see facts and figures like these:

- "In the United States, more than 78 million adults are obese." ("NPR," May 14, 2012.)
- "Seven out of ten American adults don't exercise regularly, despite the proven health benefits." ("CNN," April 7, 2012.)
- "Fifty-six percent of all 18- to 34-year-olds are not saving at all for retirement." (*The Huffington Post*, May 10, 2012.)
- "Only 3% of Americans are blood donors." (American Red Cross, January 31, 2012.)
- "More veterans are killing themselves than previously thought, with 22 deaths a day—or one every 65 minutes, on average." ("Fox News," February 4, 2013.)

What the writers of these types of messages are trying to do is shock audiences with the enormity of the problems, which the writers believe will lead to the desired behaviors, e.g., weight control, exercise, retirement savings, donating blood and fewer suicides.

When using a social norms approach, though, it's critical to make sure that the norm used is focused on the goal. Unfortunately, well-intentioned journalists, communicators and marketers sometimes will highlight how many people are doing the wrong thing, which sends a powerful normative message too, but it's usually a message that delivers the *opposite* outcome than what was intended.

By telling people that most adult Americans don't exercise regularly:

- The descriptive norm could be interpreted as, *"Most people like me don't exercise."*
- The likely outcome: *"So, I'm [not] doing what everyone is [not] doing. I don't need to do anything about it."*

When you say that about two-thirds of 18- to 34-year-olds don't save anything for retirement:

- The descriptive norm could be said to be, *"Most people my age don't save for retirement."*
- The likely outcome: *"No one else my age saves for retirement. I'm no worse off than most people my age. I don't need to do anything about it."*

The next time you're tempted to make a BIG statistic your story's headline and primary hook, remember that an individual's story is much more powerful and motivating. Relegate the eye-popping statistics to the footnotes.

Therefore, in your benefits messages, you should focus people's attention on what the right/approved behaviors are—the injunctive norms. Your goal should be to marginalize the unwanted behaviors, not normalize them.[22]

Social Motivators: Why Individual Testimonials Are More Effective Than Eye-Popping Statistics

Sometimes, those among us who are more analytically oriented feel that if people knew the incidence and the magnitude of particular problems, the power of the *numbers* would prevail. The *numbers* would convince people to see the world differently and, then, change their behaviors accordingly.

It's not unusual to see statements like these in the press or quoted by employers:

- "In 2005, 1.1 million people died from diabetes." (World Health Organization, 2006.)
- "The National Foundation for Credit Counseling, which helps people who are having trouble paying their bills, says one-third of its three million clients nationwide last year were 55 or older." (*USA Today*, January 29, 2013.)

Surprisingly, two people who shared an insight about the relative ineffectiveness of the "eye-popping statistics" approach were Mother Teresa and Josef Stalin. (Yes, you read that correctly.)

Josef Stalin said, "One death is a tragedy; a million is a statistic."

Mother Teresa said, "If I look at the mass, I will never act. If I look at the one, I will."

Obviously, they were coming at this issue with completely different intentions and agendas (understatement of the century), but they both understood that people are more motivated to act by the circumstances and emotions of an individual's situation than by the collective situations of mass numbers that create eye-popping statistics. Their conclusions were, no doubt, drawn from their own experiences, but their viewpoints have research support.[23] The term *statistical lives vs. identifiable lives* has been coined to represent the differences, respectively, between faceless large numbers representing people and named individuals who evoke feelings of identification and compassion.

Recently, both sides in the gun regulation debate have used "eye-popping statistics" approaches and "individual stories" approaches. In most cases, gun crime numbers are much less vivid and moving than stories of individual shooting victims or a person who defended herself with a gun.

That is why individual testimonials are such effective social motivators, and it's why they're used so successfully to sell products, to motivate behavior change and, especially, in fund-raising efforts.

We have seen many of our clients use individual testimonials successfully to promote wellness efforts, high-deductible health plans, 401(k) plan participation and other benefit programs.

The next time you're tempted to make a BIG statistic your story's headline and primary hook, remember that an individual's story is much more powerful and motivating. Relegate the eye-popping statistics to the footnotes.

Applying These Principles

When you use behavioral economics principles such as framing or social norms approaches in your benefits communication, you recognize your employees' strengths and their limitations as boundedly rational decision makers. You are actively helping your employees make better decisions.

Using behavioral economics insights and techniques in your benefits messaging isn't hard, but it does require you to think differently about your communication goals and what you want your employees to feel, think and do. The hard part is letting go of old habits and approaching your goals with fresh perspectives. These approaches may take you out of your comfort zone. That's what we're asking employees to do too—look at things differently, see the value for themselves and their families, and act.

Take the Quiz

As a way to start thinking about these principles immediately, which one of the following statements is an *incorrect* way to use a "descriptive norm"?[24]

(a) You should always apply behavioral economics principles in your benefits communication. It's the right thing to do.

(b) Over 75% of employers that hit their stretch targets for HDHP + HSA enrollments used behavioral economics principles.

(c) Only 25% of employers currently use behavioral economics principles in their benefits communications.

(d) Using behavioral economics principles, like framing and social norms, will help you hit your financial targets and your wellness goals.

(e) If you don't use behavioral economics principles, like framing and social norms, you will keep wasting your budget on ineffective communication.

(f) Bob W., a benefits director at a Fortune 500 manufacturing company, achieved amazing success when he integrated social norms principles into his benefits communication. "We've never had that sort of employee response to a wellness campaign before. Over 80% of our people got a flu shot this year. Now that it's flu season, we're already seeing less sick time than last year." BQ

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