

SINGAPORE
**How do you get people to change?
Study what makes them tick, says
economist**

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TODAY reports: Pricing mechanisms are a particularly effective tool - more effect than non-monetary methods, says Professor Sumit Agarwal of the NUS Business School.

PHOTOS



CAPTION

SINGAPORE: When construction work begins in a particular area, residents living nearby use about 6 per cent more electricity, as they shut their windows and turn to air-conditioning to block out the noise and pollution. And increases in consumption persist, even after the construction work concludes.

Citing this observation from a study looking at the monthly electricity bills of 5,321 public housing blocks and date and location data for 322 construction projects from 2009 to 2011, National University of Singapore (NUS) Business School economist Sumit Agarwal said such behaviour should be studied by policymakers. This will allow them to better assess which policy tools to wield to achieve their desired outcomes.

In this case, for example, they could raise electricity prices to discourage consumption, or ask construction firms to plant greenery outside the homes to get people to open their windows again.

"We do some studies to learn behaviour, and if we want to change behaviour, then in the future we want to use those findings as well," said Prof Agarwal, who was speaking to TODAY after giving a talk at the Think Business speaker series held at Shangri-La Hotel on Thursday (Mar 19).



Prof Agarwal, who joined NUS Business School in 2012, felt that not enough research on behavioural change is being conducted in Singapore. "If we just think about financial literacy, health literacy, if we understand why these literacies are not there, a lot of them are behavioural reasons," said Prof Agarwal, previously a senior financial economist in the research department at the Federal Reserve Bank of Chicago.

He added: "Why do you get into credit card debt? Why do you sleep with the air-conditioning and the comforter? A lot of them are purely behavioural explanations but we just don't devote enough resources and time to understanding the deep-rooted problem."

In particular, Prof Agarwal found that Singaporeans take for granted public goods such as water, electricity and transportation, and over-consume them. This is where policymakers can study behaviour and try to get the society to consume less, he said.

For example, in an ongoing study with national water agency PUB, they hope to understand the behaviour of water usage during shower times in different households by using a device to produce data of such water usage. A similar study in Switzerland found that such information leads to reduction in water usage.

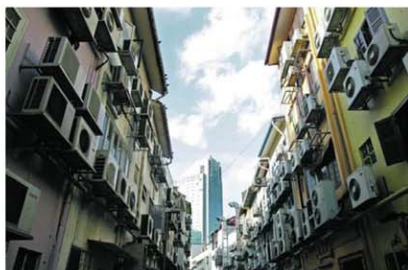
Other studies Prof Agarwal has done include one based on expenditure data from some 6,000 individuals. After withdrawing money from their Central Provident Fund (CPF) accounts, he found that most chose to leave a sizeable portion of it in low-interest bearing savings accounts, instead of in their CPF accounts, which offer higher interest rates. Such behaviour could be due to members not being aware of the better rates offered by the CPF Board, he said.

WALKING THE TALK

Prof Agarwal is also studying why Singaporeans are making short trips on public transport instead of walking. Based on data provided by the Land Transport Authority, about 12 per cent of the bus trips here are short ones, such as single-stop rides.

"It sounds like it's a waste of resources. Especially during peak times, we have a lot of people who want to take longer rides, but these short-ride people are just blocking the buses," he said. "The question is how can we get people who take single-stop rides to walk?"

One agent of change he has observed is the effect of children on their parents. As part of the National Environment Agency's Project Carbon Zero, an energy-saving contest for schools here, students were asked to track their electricity bills and convince their parents to reduce their electricity consumption. Prof Agarwal found that even after the campaign was over, the effects of lowered electricity consumption persisted.



A particularly effective tool is pricing mechanisms, which is more effective than non-monetary methods such as public education. The impact of non-financial methods of persuasion varies from person to person, making it expensive as different incentives have to be provided.

But small changes in pricing can result in bigger changes in the population "because everybody responds to money", he said.

-TODAY/es