



CRC for
Water Sensitive Cities



Using social norms as incentives for demand management

Project A1.3 Economic incentives and instruments

More efficient water use can increase water available for environmental flows and reduce scarcity for future generations. Understanding social norms can help identify valuable opportunities to target and tailor conservation programs and drive more effective policy development and outcomes.

Overview

Economists and policy makers use both economic and non-economic incentives to encourage consumers and providers to adopt new systems and technologies. This is particularly so for the environment sector, where incentives either do not exist or do not properly align with socially desirable behaviours such as adopting water sensitive practices.

Both internal and external motivations guide people's decisions about their water use. Households conserve energy and water to reduce their bills. But conserving water and energy may also increase their sense of self worth, which is associated with conservation. These different motivations open up policies beyond traditional economic incentives, such as prices and subsidies, to tap into social or moral motivations to reduce resource consumption.

Optimising altruistic behaviour change

People exhibit altruism and behave cooperatively, and they can be influenced by framing and social information. This is because each individual has motivations that affect their behaviour. We can categorise these motivations as internal motivations or external motivations:

- The first category is internal motivations that relate to an individual's preferences and values. They behave in a particular way (for example, save water) because they feel guilty if they don't. Importantly, their behaviour is not influenced by what others are doing, and it doesn't rely on being observed by others.
- The second category is also internal, but relates to standards to which people compare their behaviour. For some people, it is important that they conform to the social norm. They are happy if they do conform, and feel guilty if they don't. In this instance, an individual's behaviour is influenced by what others are doing, but their behaviour still doesn't rely on being observed by others.



- A third category of motivations is external, because these behaviours rely on other people observing an individual's behaviour. In other words, people care about maintaining their public image or social reputation. Individuals want to be seen to be conforming to social norms.

It is important to understand and tap into these motivations when designing policy options to influence pro-social behaviours like saving water. Research shows that these motivations can interact with other incentives (such as monetary incentives to save water) in unexpected ways. In some cases, for example, monetary incentives may complement non-monetary incentives, and increase the desired behaviour. But in other cases, monetary incentives may crowd out non-monetary incentives, and ultimately discourage the targeted pro-social behaviour.

Similarly, research shows individuals may engage in fewer pro-environmental behaviours when the efficiency of supply and/or use is improved (that is, improved technology). And this outcome may be compounded by an individual's moral code; individuals who buy an efficient product reduce their pro-environmental behaviours even further.

Leveraging social norms

Demand management tools may be one way to leverage **social norms** – the ideas people hold about acceptable behaviour within their community – to improve the effectiveness of conservation programs and foster greater pro-social behaviour. These tools include social comparisons, personalised information, and peer communication and punishment mechanisms.

Social comparisons consist of information sent to customers that compare their water or energy use with that of a peer group. For example, a study into a large-scale intervention in a water utility in Cobb County, Georgia found that social comparisons generated significant changes in behaviour. And social comparison information was more effective than

other information-based activities, such as conservation tips and a generic moral appeal for conservation. Social comparisons for water conservation also generate more savings among high users (Brent et al., 2015).

Peer communication (mechanisms that allow community members to talk to and establish non-binding agreements with each other) and **peer punishment** (mechanisms that enable community members to monitor and report / penalise each other) use social norms to encourage pro-social behaviour. Research showed peer communication mechanisms, in particular, were effective in water-related scenarios. That is, getting people to talk to each other about resource use and allowing them to make some informal agreements can change the social norm relating to resource use, which can be very helpful. In one study, communication was non-binding, but even this kind of informal talk helped in nudging people towards optimal use (Brent et al., 2015).

By contrast, the same study found peer punishment policies (like allowing community members to sanction each other for breaching water regulations) were ineffective when used alone, but can improve outcomes when combined with other measures (such as taxes). For example, in the case of water pollution, peer punishment had a positive effect when combined with a tax imposed on all polluters if water quality fails to meet required standards (over and above the effect of the tax alone). This result highlights the benefit of applying peer punishment mechanisms in appropriate circumstances (Brent et al., 2015).

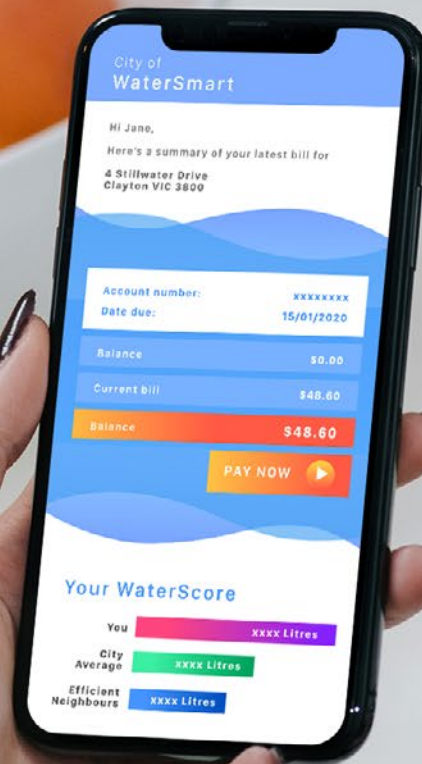
In general, using multiple tools to tackle a problem can be effective. Social norms are certainly useful (and cheaper to leverage), but they can also be sensitive and must be adapted to the context. It is important, therefore, to understand social norms before using them as a policy tool.



Key considerations

Considering social norms is an important aspect of designing water efficiency programs and effective policy development. Key learnings include:

- Positive social behaviours are affected by framing and social information.
- Monetary incentives can both positively or negatively influence motivations for positive environmental or social behaviours.
- Internal motivations include moral code and adherence to social norms.
- External motivations include public image and social reputation.
- Technology change can also influence pro-environmental behaviours.



References and resources

Brent, D.A., Friesen, L., Gangadharan, L., and Leibbrandt, A., 2016, Behavioral Insights from Field Experiments in Environmental Economics, Department of Economics Discussion Paper 34/16, Monash Business School

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Further information



Professor Lata Gangadharan
Department of Economics,
Monash University
lata.gangadharan@monash.edu



info@crowsc.org.au



<https://watersensitivecities.org.au/content/project-a1-3/>



@crowsc



Level 1, 8 Scenic Blvd
Monash University, Clayton
Victoria 3800, Australia



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