Anticipating the irrational: How can behavioural economics solve gender inequality?

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The theme of this year's International Women's Day is #ChooseToChallenge. Already we've seen some notable examples. From Kamala Harris being elected as the first female and woman of colour elected to Vice President of the United States, to Jacinda Ardern's successful campaign against COVID-19.

Yet, there's still a way to go. Women continue to bear the brunt of unpaid work at home. Across every labour market indicator – participation, employment, underemployment, and earnings – women still lag behind men. Some estimates suggest it could take as long as one-hundred years for us to reach gender parity in Australia. And with COVID-19 stalling progress across various economic indicators, it's more important than ever that gender equality remains top of mind: for individuals, businesses, and governments in Australia and globally.

But what can we do to help accelerate change on such a sticky and begrudging issue?

One solution may be behavioural economics. As the name suggests, behavioural economics is the study of human behaviour. It focuses on the decisions we make and why we make them.

Unlike mainstream economics, behavioural economics does not always assume people's decisions are rational. Instead, they recognise that sometimes decisions are influenced by factors outside of our immediate consciousness – by implicit biases that have been developed through societal conditioning from an early age.

By understanding what truly drives our behaviour, behavioural economists can implement interventions – called *nudges* – to influence the decisions we make. A nudge can be anything from putting up a sign in the bathroom reminding us to wash our hands, to providing cash incentives to discourage smoking.

Importantly, these nudges do not restrict the choices that are available. Instead, they change how people perceive problems, thereby helping to shift outcomes.

In the context of gender, there is an opportunity to leverage the tools and ideas of behavioural economics to help drive equality.

- **Choice architecture** is the idea that people's decisions can be impacted by the way choices are designed and can be used to help address gender inequality. For example, research has found that changing promotion schemes from an opt-in scheme, to one where everyone is considered for promotion, could help improve the gender gap in the propensity to compete for promotions.
- **Decision science** frames data analysis in terms of the decision-making process and can help improve decision-making among individuals and businesses alike. For example, Google's People Operations team used data to analyse retention rates across the firm, finding that young mothers were twice as likely to quit employment as the average employee. This analysis was used to inform the design of their parental leave policies, which has seen retention rates among mothers increase to the same level as the average Google employee.
- **Nudges** can combat implicit bias and lead to more gender equal outcomes. For example, the introduction of blind auditions saw the proportion of female musicians in the five highest ranked orchestras in the United States increase from 7% in 1970 to 21% by 1993.
- And much more.

These examples underscore the potential for behavioural economics to help solve gender inequality. But there's still a long way to go. Ultimately it's up to all of us to #ChooseToChallenge and help to build the future we want together, starting today.