Uri Gneezy, PhD:
We wanted to look at when incentives backfire, what can happen when incentives don't work. I was living in a suburb of Tel Aviv at the time. Our daughters were one and three. We used to put them in a daycare in the morning and then we needed to pick them up by 4 p.m. Once we were late, there was traffic, I drove like crazy because you need to be there at 4 p.m. One day the principal of the daycare announced if you're more than 10 minutes late, you have to pay $3. This time I didn't drive like crazy because I'm not going to risk my life for $3, right? It doesn't make any sense. I designed an experiment with daycares. We had 10 different daycares. We introduced a $3 fine in some of these daycares. What we saw was people behaved just like I did. There was a jump in the number of parents who came late, so the fine actually backfired in the sense that more parents allowed themselves to be late.

LuAnn Heinen:
That's Uri Gneezy, Behavioral Economist at the Rady School of Management at the University of California, San Diego, and author of the 2023 book, "Mixed Signals," about how incentives really work. He's known for applying behavioral economics in the real world, researching how incentives contribute to habit formation, and designing simple experiments that challenge our assumptions about how incentives shape behavior and inform more effective incentive designs. Professor Gneezy's lab and field experiments have contributed to our understanding of when incentives are most likely to succeed and what can go wrong.

I'm LuAnn Heinen and this is the Business Group on Health podcast, conversations with experts on the most relevant health and well-being issues facing employers. In this episode, Uri Gneezy and I discuss the direct and indirect signals incentives send and how understanding and framing these signals can avoid unintended consequences and increase the effectiveness of incentives.

Dr. Uri Gneezy, welcome to the Business Group on Health podcast. I'm really glad you're here today.

Uri Gneezy, PhD:
Thank you, happy to be with you.

LuAnn Heinen:
Incentives and disincentives are everywhere. After I read your book, I kept seeing them and noticing them. As consumers were surrounded by incentives - to stick with a particular airline, to buy more to get free shipping, to buy now rather than later for the discount - and as employees, we all know we're incented to earn a bonus or commission, to recruit new hires, and very often to manage our own personal health. Financial incentives seem an obvious and natural lever for companies to pull. Yet you've written a book full of examples of incentives gone wrong or, at the very least, not quite achieving their intent. Would you kick us off with an example or two, maybe one at the organizational level and one more individual.

Uri Gneezy, PhD:
About a hundred years ago, the French decided to introduce bathrooms to Vietnam. Before that they didn't have it, so the French brought the technology and with that came sewer system and lots of rats. Rats were running around, spreading disease; it was bad. Someone had a great idea, they said, pay people to kill the rats and then the problem will be solved, so they gave say one cent to people who brought them a rat tail. If you had a tail of a rat, you got one cent and they thought that that will solve the problem. What actually happened is that people, first of all, started cutting the tails and letting the tailless rats run around because they can still have more babies. And then they also started developing rat farms, so they would grow rats just in order to sell them later, to sell their tails and such things, right. That's an example where the idea in itself was good but people found a way to game it. In the good old days, the British used to send felons to Australia. At the beginning, they used to put them on a ship and paid the captain based on how many people actually boarded the ship. And then turns out that many of them died on the way to Australia. Then they made a small difference. Instead of paying them when they board the ship, they paid the captain when they left the ship in Australia and then almost all of them arrived safely to the other side. The idea is that if you are constructing your incentives correctly, instead of going into the ship and saying, no, this shouldn't be like that, that's how we should save people. No, just

make sure that your incentives are right. The people on the ground will find a way to achieve what you want. So those, I think, are two interesting examples.

LuAnn Heinen:
You also said it's not all about money. It's about the interaction of important signals.

Uri Gneezy, PhD:
Right, absolutely. First of all, incentives are definitely not just money. There are other things that drive us, many other things that drive us. The point of the book is basically that the incentive sends signals. When I pay you, when I give you incentive, when I tell you about something, I don't just give you the incentive, I also send you a message about a signal about how important something is. In many cases, management, for example, will tell the employees to do one thing at once. For example, quality is our number one priority, but then they're going to incentivize quantity. They're going to pay you based on piece rate, for example, how many assignments you've finished. That's a mixed signal because if you're paying me for quantity, I'm not going to care that much about quality. Quality is going to be heard. Now, as an employee, I'm a bit confused. Are you really for real when you said that you care about quality or is it all about quantity? First of all, I'm confused and I'm more likely to follow the incentives, not just because they want the money, but also because the signal is that that's what you really care about.

LuAnn Heinen:
What about, you've mentioned team versus individual incentives too.

Uri Gneezy, PhD:
Right, so that's another example where every place will tell you that you need to cooperate with your coworkers and work together and that's important, you know, but then you give people individual incentives. Why would they contribute to the team if they are paid based on individual incentives? It's not just the pay, it's also the fact that you're telling me that you expect me to be excellent by myself, right. So it's also a strong signal that I'm doing my job right if I do it, but then, you know, when your mentor or a new worker, for example, you introduce them to the job, which is extremely important in organizations, you're not going to be rewarded for it. Why would you do it? The point is that your incentives send a signal and you need to make sure that it's not in contrast with what you're telling people.

LuAnn Heinen:
So communications alone don't do it. It's actually how the incentive is designed and implemented is key.

Uri Gneezy, PhD:
The incentive is part of the communication, exactly. That's exactly the point, that the incentive is never just an incentive. It also communicates to you what they care about.

LuAnn Heinen:
Let's say you're a company wanting to design an incentive. How do you get the desired effect and avoid mixed signals? It's hard sometimes to understand how employees are going to interpret the program or what you're doing.

Uri Gneezy, PhD:
For sure, it's very hard. One of the mistakes that people doing this is that they don't use common sense. I think that every company needs a common sense officer, someone that will sit over there and will say, wait a minute, maybe it's not a great idea to, and then say what. Because many times we are lacking what's called the theory of mind. We are thinking about it for months, for years, and then we don't think about the fact that on the other side, there is someone with limited attention that will look at that and will make a snap decision. It's very hard for us to put ourselves on the shoes of the other side, right? It's a theory of mind or sometimes it's called curse of knowledge. I know a lot about something, so I think that it's obvious to you as well. Another important element is do A/B testing. Don't just assume that your incentives are going to work. Roll them over with a small group of people, just like you would do with any other aspect. If you build a printer or you design a new app or whatever it is that you do, you first test it. That's what you should do also with

incentives, to make sure that people don't game it. In the rat example from Hanoi, if they would have tested it, they would have found out very quickly that people are gaming the system and then they could have maybe made some modification to it.

LuAnn Heinen:
The city of Minneapolis is testing a free bus service, and they're piloting it on two different routes, you know, one going north-south and one going east side of the city, one west side. Anyway, one is taking off and the other isn't, and there's lots of theories about why, and hopefully this is going to increase equity, increase ridership, and therefore make the buses safer. There's a lot of theories, but hopefully the pilot will reveal.

Uri Gneezy, PhD:
Exactly, yes. If it doesn't, see what you need to change.

LuAnn Heinen:
What about how an incentive is framed, positive versus negative framing, for example.

Uri Gneezy, PhD:
There is something that is called loss aversion. Losses hurt more than gains. We have some conflicting results about that, but the idea is that if I frame the incentive as losses, there is a higher chance they're going to be more effective. Imagine, for example, that in one case, I tell you if you finish this by the end of the week, I'll give you $1,000. That's the positive frame. Or I can tell you, here's $1,000. It's yours, you keep it, you can do whatever you want. But if you will not finish the job by the end of the week, I'm going to take it back from you. Because the idea is that now you already have the money and giving it back is psychologically much harder than not receiving it. Although the outcome is going to be the same, either you get zero or $1,000 under the same conditions, the psychological feeling in the first case is of gain, and the second is of losses. People really don't like losses, so they'll work harder when it's framed as a loss.

LuAnn Heinen:
Let's talk about another design aspect, which is mental accounting. How does that play into the incentive design?

Uri Gneezy, PhD:
Mental accounting is funny, because it turns out that our brain has separate small accounts, right. It's not just that all money is fungible, which it should be. Say that you walk back home now and you find a $100 bill on the floor. You'll pick it up. You're much more likely to spend it on a fancy bottle of wine or a fancy dinner than the $100 that you get in your salary, because you feel that it's special. It comes from a different source. Now, it doesn't make sense economically, because $100 is just $100. But an experiment that we ran with edmunds.com, edmunds.com is a website that gives you car reviews. When you are ready you can type in ‘I want a Toyota Corolla from 2022 or 24, a new one,’ you put it in the search engine and they give you back local dealerships that offer this kind of car. If you click on it from their website, they get some kickback. Edmunds wanted to encourage customers to click on the cars from their website. Initially they gave them, say, $400 discount if they bought a $20,000 car. It's not a lot of money relative to $20,000. What we did over there, we said, let's give it a name. Let's call it gas cards. When you go to the gas station, filling up your car, that's a really painful thing. You're throwing away your money. What we thought is that the filling will be so bad that it will have stronger impact as incentive. Instead of $400 cash, we gave you $400 to spend on fuel. And indeed, these people were much more likely to click on the link and buy the car through Edmunds because it's much more painful, and if I eliminate this pain, you are grateful. So the $400 in gas card had more impact than simply giving them $400.

LuAnn Heinen:
Yes, that reminds me of something that's always, this is a little bit different situation, but it's always puzzled me where sometimes a larger incentive isn't as successful as the company might think. And sometimes it's because it's paid out maybe in a future year. Or sometimes I think it's because it's a small premium contribution or a small deposit in a health savings account towards a very large premium. You are never sure why the incentive isn't getting its effect. It might be mental accounting or maybe it's timing.

Uri Gneezy, PhD:
Yes or the combination. Timing is important. There is a big difference. We are really impatient. In general, talking about mental accounting and timing, imagine that someone invites you to give a lecture and they're going to pay you say $100 for it. That's very nice, but they'll send you the check in a couple of months, it will go into your bank account and will disappear. Just imagine that instead of $100 check in a couple of months they'll give you $50 in cash. That would be a great feeling in terms of, first of all, the time element and the mental accounting, because this $50 I'll go and spend on something. It could be much more effective to pay immediately in cash than give you a check.

LuAnn Heinen:
Let's talk about when non-financial incentives make sense. What are the range of non-financial incentives you might consider and when do they come into play?

Uri Gneezy, PhD:
It's all over the place. In the book, I talk about self-signaling, that I signal to myself something about my quality. It turns out that I don't always know if I'm a good guy and I look at my actions and say, wow, you're a good guy, you did something nice. And also signaling to others, which is more common. Think for example, on the hybrid car market, in the late 90s, the hybrid car showed up and then in 2003, both Toyota and Honda introduced new models. Honda decided to go with the Civic, so built the hybrid car based on the Civic. It looked the same, but it had some differences in the engine. Toyota took a very different approach. It said, look, we're going to redesign the car completely. What we know is the Prius, right? Completely new. Why is that important? Because at the time in 2003, these hybrid cars were really bad. Bad in the sense that you could buy a better car for less money. Now they're competitive. Prius is a competitive car today that people buy not just because they care about the environment, but back then you would buy a hybrid car only if you cared about the environment, because it was not a good car. The signal value that you had was very high. I'm driving a hybrid car. I'm a good guy. I care about the environment. Now, if you drove a Honda Civic that no one knew that you were driving a hybrid car, you lost this social signaling. Other people didn't know that you're driving a hybrid car. You had the Prius, you entered the parking lot, and said, wow, he's a great guy. He cares about the environment. That's an example. It's not money, but it's just an example of signaling and it had a huge impact. Prius completely won the market. When we think about the hybrid car, 20-something years later, we still think about a Prius as the main example.

LuAnn Heinen:
We do, but there were also incentives to purchase a hybrid car.

Uri Gneezy, PhD:
Back in the early days, I think in California, you could go on the carpool lanes with hybrid cars. That's another example that it's not money, but look, it saves lots of time. If you live in LA and you can save half an hour of commute a day, that's a big deal.

LuAnn Heinen:
Well, let's talk a little bit about some of the incentives that companies are using to support employee health and well-being. Business Group on Health with Fidelity Investments conducts an annual survey of employers, and we talk to them about their employee health and well-being programs. Incentive use is very widespread, and it has been for many years. We know that nearly three quarters of the most recent survey last year, 2023, offered financial incentives or disincentives to employees for taking care of their health. And that might be one-time biometric screenings or participating in tobacco cessation, for example, or maternity management programs. And they've also gotten broader well-being programs like sleep improvement, mindfulness or resiliency, and even rewarding employees for participating in financial wellness education and support because certainly financial insecurity is a major source of stress, so you're getting at stress as well. But I'm curious to know your thoughts about something that's developing in this space that may be on the rise, and that's the lifestyle spending account, which is a lump sum that is paid out to be used by the employee. It could be in the form of a card to pay for a variety of well-being activities and even equipment purchases with really very few strings attached. It's an

administratively simple strategy paid out in post-tax dollars, and it gives employees agency instead of you need to do these number of things to get a reward. Do you consider that to be an incentive? It seems a little atypical, and what do you think about that?

Uri Gneezy, PhD:
Let me start by, I think that the most interesting aspect of incentive to me is behavior change, because it's the most important and the hardest. Think about a guy in his 50s, going to the doctor. The doctor tells him that he's pre-diabetic and he needs to walk half an hour a day in order to avoid things becoming really bad. Diabetes is a really bad disease. All he has to do is walk half an hour a day. He goes home. Maybe the first day he walks half an hour a day. The second day he stays on his couch drinking his soda and watching Netflix. He doesn't do it. The incentive is already so high, not getting diabetes is a serious incentive, and it doesn't happen. So first of all, why don't incentives work in this and the second question is how can we introduce incentives that we don't have money that can be in the same level of importance as preventing diabetes. That's not going to happen. So how can we use incentive in this? Turns out to be extremely difficult. If you look at the amount of money that just here in the U.S. people spend on losing weight, exercising more. In January, everyone registered to the gym and they're sure that they're going to do it, and everyone wakes up in the morning and says today I'm going to be good, I'm not going to eat, and then they end up the night with a large piece of cheesecake. It's really hard to do. It's really hard to change behavior. Now as a company, what could a company do? One of them is, I think, what you just described because it's a strong signal that, look, we're not going to tell you what to do exactly but we want you to take care of yourself. That's important. It's not just that we want you to come and work well when you are here. We really care about you. We want you to take good care of yourself and that's why we are introducing these incentives. I think it's a very good signal that the company actually cares about you.

LuAnn Heinen:
I think one of the challenges could be that at the end of the day or the year, you can't really tell what benefit was achieved from it versus, you know, I had X number of people participate in the walking challenge and I had, you know, Y number join the diabetes prevention program, that kind of thing.

Uri Gneezy, PhD:
Absolutely. In general with wellness, there is a lack of measuring outcomes.

LuAnn Heinen:
I was interested by the example that you gave in your book. We're all aware every now and then, every few years we see in the paper that the United States is failing academically relative to other countries because there's an international test that's administered every so often and 15-year-olds from countries around the world are ranked on their math, their science, their reading. And the U.S. is uniformly sort of disappointing in where it falls in the rankings. It doesn't make us feel very good to see that. And you have a theory about those test results.

Uri Gneezy, PhD
That's a fun one, I think. I'm 56 already. If I think back about me 40 years ago, imagine that I come back to high school. That happens to me in my nightmares sometimes. Go back to my high school and the teacher comes in and says, today we have this PISA test, it's called. You'll need to spend the next three hours answering the best that you can. And by the way, you will never know how well you did, your teachers will never know it, your school will never know it, your parents will never know it. Only some guys back in Brussels that will get the results will know. Now, if I think back about me as a 15-year-old, I would not spend too much effort on that test. I would say, you know, why should I care? And that's exactly our point about this kind of testing. It's done pretty much the same as I said it. You know, they come to a school and they just give you the test and no one will ever know the results of that. From this test, they are comparing different places in the world. Now, the conclusion is about ability. That's what you said, right. Why are the U.S. students relatively so bad in math relative to places that spend even less money on education? And then there is lots of policies. For example, Finland doesn't spend too much money and the results are much higher. Why is that? Let's copy their system maybe. We are coming from a different point of view and in some places, kids, you'll ask them to answer this test the best they can, they'll just sit

and do the best they can. In other places, they'll say, I don't care. There could be some kind of cultural differences between these. In particular, we looked at Shanghai in China and compared it to different schools in the U.S. It turns out that Shanghai is number one in math. U.S., I think that year was number 36 in this OECD comparison. First of all, we replicated the results of the PISA. Indeed, the Shanghai students were much better. But then we also introduced incentives. We gave them $20 if they solved all the questions correctly and we took a dollar away for every question they didn't answer correctly. So using the loss aversion that we discussed before. Now in both places, they also had strong incentive for kids in high school, $20 is a lot of money. Now they have the strong incentives to actually do well on the test. What we found was that the Shanghai student did not improve, presumably because they already maxed out. But the American student improved very significantly. The conclusion is not that we need to pay students in order to participate in this test. The conclusion is that we need to understand the cultural differences between places. It's not just about ability. The U.S. students are not that much worse than the other students, they just don't care about tests that have no meaning.

LuAnn Heinen:
They take enough standardized tests that are important and do have a key audience with colleges and so on, too.

Uri Gneezy, PhD:
Exactly. The one that I described is called the low stake test. But if you take the SAT, for example, that's a very different story. That can determine your future. And on this, I don't think that we have a problem in the U.S. I think that the kids do invest effort in these tests.

LuAnn Heinen
I'm going to have to ask you to share the personal example, because it's such a good story also of when you first got particularly interested in incentives and what could go wrong when you were dropping your kids off at daycare.

Uri Gneezy, PhD:
Yes, we wanted to look at when incentives backfire. What can happen when incentives don't work. I was living in a suburb of Tel Aviv at the time. Our daughters were one and three. We used to put them in daycare in the morning and then we needed to pick them up by 4 p.m. Once we were late, there was traffic. I drove like crazy because you need to be there at 4 p.m. One day, the principal of the daycare announced if you're more than 10 minutes late, you have to pay $3. This time, I didn't drive like crazy, because I'm not going to risk my life for $3. It doesn't make any sense. I designed an experiment with daycare. We had 10 different daycares. We introduced a $3 fine in some of these daycares. What we saw was people behaved just like I did. There was a jump in the number of parents who came late. The fine actually backfired in the sense that more parents allowed themselves to be late. And you can think about different explanations. One of them could be, oh, I'm just paying for babysitting services. But that doesn't seem to be the case because a few weeks later, when we stopped the fines, the parents that were in the fine group before that kept coming late. It did not go back to the original position. Basically, what we think, there is new information. Before that, I didn't know how bad it is to be late and now you told me that it's only $3. I don't care, I can be late. Some places in the U.S., you pay $10 a minute. Then it's a serious insanity.

LuAnn Heinen:
Is that what leads to you saying either pay enough or don't pay at all?

Uri Gneezy, PhD:
Exactly, exactly. That's true for positive and negative fines. If you want to pay me, you should pay me enough, because otherwise you're giving me the permission not to do what you asked me to do. There are many funny things with payments. Imagine that you're invited to dinner. You're supposed to bring a bottle of wine, say of $30, but it's late and you're out, so you show up and say, well, sorry, John, I didn't have the time to buy the bottle of wine, but here's $40. That would be really awkward. You really change the meaning of the interaction and with the pay enough or don't pay at all argument or the fine story is that if you switch from what we call communal relationship in which you are my friend and I just bring you gifts or you're at the daycare, I'm paying you

monthly, but I'm going to be there on time because that's what's the right thing to do. You're switching it into what we call exchange relationship. In exchange relationship, it's just money. I don't feel bad if I don't do something, because I'm paying for it. But in this case, if you raise the incentive enough, it's going to be more effective, maybe then no incentives at all. But if the fine can be only very small or the benefit could be very small, maybe it's better not to give them at all.

LuAnn Heinen:
Reminds me, as an aside, I have a friend who's fortunate to have multiple houses around different places in the country and she offers them all the time to other people. You can stay there, you can stay there. It's always free. And I said, finally, how come you don't let us pay? It doesn't seem right. She said, I just think once somebody pays, the expectations are completely different.

Uri Gneezy, PhD:
Exactly. You can't complain. You get a house for free. You're not going to complain about whatever.

LuAnn Heinen:
Yes, exactly. Well, you have a new paper in the works that has some interesting implications for incentives, suggesting that kind of in a reverse situation, behavior change can trigger motivation versus the other way around. Tell us more about that.

Uri Gneezy, PhD:
Yes, it's a paper with Gretchen Chapman from CMU and what we're looking at is can people change their behavior with the motivation to do it coming up later on and then can we use incentives. One of the questions is about preference discovery. For example, we pay people to go to the gym and then they go to the gym and they do whatever they did before, and since they don't really like it, they stop after we stop paying them. But imagine that instead of that, you'll pay them to discover, to explore. I tried the treadmill, I tried the elliptical machine, I tried tennis, and then maybe if I find one of the things that I really like, I will keep doing it later. I didn't know before that I liked tennis, but now I do like it. So that's one thing which is discovery. Then we talk about acquired taste. How come I drink coffee or alcohol or smoke cigars? No one enjoys the first cup of coffee, the first glass of wine, or the first cigar. How come we acquired this taste? I think that it's an interesting philosophical question. In many cases, it's because I want to be the cool guy that drinks coffee, for example, or drinks beer, when I'm young or whatever it is. It's just what I want to be. That's how we acquired these weird tastes. But then our question is, can we use incentives to get people to acquire a taste? Can we get you to drink coffee enough times to acquire the taste or does it have to come from your motivation to change your preferences? That's just an interesting question. We know that we can get people to change their behavior in the short run, but not in the long run. So many people, including me, lost, for example, many, many pounds in their life. The problem is that we find more of them back. How can we get something that will be more lasting and the way to do it is by actually changing the preferences, if we can.

LuAnn Heinen:
Yes, so that you're actually liking the exercise you're doing and the food that you're eating. That reminds me, you had an example about a tip for parents trying to help their kids eat healthier in this paper.

Uri Gneezy, PhD:
Right, so we always tell the kids you should eat veggies, but usually the veggies that we offer them are limited to what we know how to cook or what we have. But go to the local supermarket, there are 50 different veggies and there are equally many ways of making them. Instead of forcing your kid to eat the veggie that you like, let them go explore and try new things. Maybe they'll find out that they like bananas or avocado or something that otherwise you wouldn't have on your menu when you introduce it to them. That would be the discovery part. Then make sure that it's there every meal that you have. So every dinner there is some kind of veggie that is out there and then hopefully this will stick for the longer run. But if you try to force them to eat something that they don't like, it's not going to stick in the long run.

LuAnn Heinen:
We're still near the beginning of the year, we're in the Q1. What are some recommendations for those of us trying to start or stop a particular behavior?

Uri Gneezy, PhD:
Many things can go into this. One of them is to try and tie or bundle your preferences. Imagine that you don't like going on the elliptical, but you do like to watch Netflix. You can agree with yourself that you'll watch your favorite show only while you're on the elliptical machine. That way you can really look forward to your next exercise. Another important thing is to keep exploring. Don't stay in what, you know, you can think about the local maximum. You try to find something that you might enjoy better. For me, you know, I moved to San Diego and for me doing paddle boarding in the ocean is this thing. But you also have to invest in some kind of mastery of this. Think about riding bike. The first time you're going to fall. So the first time, if I just introduce you to riding a bike, you're not going to like it because it's going to be a very unpleasant experience. But if you invest a few times, then you learn how to ride the bike, then you might find it pleasurable. Invest in trying to find new things that you can like. You should remember that if you'll try to stick with something that you don't like, it's not going to stay forever. You're going to go back to your couch very fast.

LuAnn Heinen:
I remember that you reported an experiment where college students were paid to go to the gym and you found a really interesting outcome that related to their academic performance.

Uri Gneezy, PhD:
Let's think about the story as a background. Imagine that you have kids in school. The county decided they need to cut some teachers. The first thing they cut is the physical education teacher. Now imagine that you don't care about your kid at all. All you care about is their success in math and you have 10 hours of math a week. Now the question is, if you need to give 10 hours of math and 1 hour of physical activity. Now, if you need to give up 1 hour, should you give up one of the 10 hours of the math or the physical activity hour? Again, you don't care about the well-being of the kid, just about their math ability. What we claim is that sometimes having only 9 hours of math and 1 hour of physical activity could be better, even just from the perspective of the math test. We did it in Norway in Bergen. We reduced the barrier to go to the gym with some kind of incentive. So we made them more likely to go to the gym. What we found, those are university students already, we found out that at the end of the semester, the students that we incentivized to go to the gym indeed went to the gym more often and did much better academically. Their GPA and the number of classes that they finished was higher compared with the control group that did not receive the incentives. By the way, we also followed up two years later and we see the difference persist even longer than that, which is, I think, quite amazing. What we found was that people changed some of their behaviors. People who went to the gym also slept more hours and drank less alcohol. They made some kind of change that actually lasted and had a positive impact on their academic performance. So just paying you for academic performance is very controversial, very problematic. Paying you to go to the gym is not. So just pay people to go to the gym and indirectly it's going to improve their academic performance. That sounds like a good deal.

LuAnn Heinen:
It actually resonates. I think so many of us at an individual level feel that too. You feel better when you get outside, when you work out, do yoga, and perform better. Uri, we've talked about a lot of different strategies and approaches to incentives, design and implementation, what pointers would you leave the audience for those who are looking at deploying incentives?

Uri Gneezy, PhD:
First of all, you need to remember that not all incentives are created equal. It's not that you try one type of incentives, it didn't work, and the conclusion is that incentives don't work. They do work, you just didn't pick up the right one. And second, I think an important thing is the thinking about the signaling. What are you telling your people when you are giving them incentives? What is it that you are signaling to them that you care about? And for that, you need common sense in many cases, right. So just add what I call the common sense officer. Have someone that actually thinks about it as a normal person, that thinks what could be the reaction, what can go wrong, and how can we improve it. Those are the kind of things that you need to think about. And finally, the A/B

testing. Make sure that you test it. I have run experiments on this kind of issues on incentives for 30 years now and I'm very often surprised by the outcome that they get. So you have some theories, and you have some models, and you have some experience, and then you go and people behave differently. People don't do what you expected them to do. Usually it's easy to fix if you know it, so before you roll your incentives for the entire company or the entire organization or whatever it is, try to run some A/B testing to see how to make them perfect.

LuAnn Heinen:
Excellent, thank you. Dr. Gneezy, Uri, thank you so much for your time today. Really appreciate it.

Uri Gneezy, PhD:
Thank you. It was fun.

LuAnn Heinen:
I've been speaking with Uri Gneezy, the Epstein/Atkinson Endowed Chair in Behavioral Economics at the University of California, San Diego's Rady School of Management, about the judicious use of incentives, particularly in organizational settings. This discussion also provides valuable insights for anyone seeking to initiate or modify behaviors on a personal level.

I'm LuAnn Heinen, and this podcast is produced by Business Group on Health, with Connected Social Media. Please consider supporting this podcast by sharing it with a friend or colleague and leaving a review.