

## Covid-19 regulations made (not) to stick?

In Europe, the Covid-19 outbreak is mostly under control and restrictions have been relaxed. This reduces the sense of urgency, disrupts habit formation and can even give us permission to flout the new rules. Here are three reasons why people are pushing the boundaries as constraints are lifted



In a world ruled by Covid-19, people continuously have to adopt new ways of living. Many of us have had to change our behaviour not just once, when lockdown was initially imposed, but many more times since, as restrictions are lifted in stages. With summer having arrived, adjustments to the strict constraints are a very welcome change for many Europeans. Shops are opening again, gatherings in small groups is acceptable and travel across countries is allowed. The changes demand that people adapt to a new set of rules and although governments are trying to keep them simple, some people seem to find it difficult to stick to them.

Why is this? Common behavioural patterns explain why and show that the challenges of Covid-19 are similar to other challenges that people face in financial planning.

### 1 Few cases, less urgency

When Covid-19 began to spread in Asia at the start of the year, few Europeans anticipated the

global impact the disease would have. Skyrocketing numbers of infections, patients in intensive care units and thousands of deaths were the result. Strict measures were necessary to successfully control the outbreak. But with a steep drop in infections and death rates, many citizens now consider the situation to be less alarming. Without a concrete threat, there is no external trigger or urgency that is motivating people to adopt new behaviours and stick to new rules. Nonetheless, the health risks associated with contracting Covid-19 have not changed.

Although people have been warned of a possible second wave in the autumn, many do not seem to understand that this requires action now or they feel insecure about what to do and procrastinate. This is not an uncommon phenomenon in society. In general, people find it difficult to anticipate the future and the impact of change over time. This is a very common challenge to long-term financial planning as well. People do not save (enough) money to live a carefree life in old age or for other distant future goals (e.g. buying a house or car) because they do not feel the urgency and can't anticipate the future consequences of their behaviour, preferring direct gratification instead.

## 2 Habit formation needs time

For people to create new behavioural patterns that are in line with the Covid-19 regulations, they will need to break former habits and repeat the new patterns for some time. Repetition leads to automated responses and makes them stick. But breaking former habits and creating new ones takes time and perseverance.

The coronavirus outbreak forced governments to take very strict measures, but they also came under pressure to make this time bearable. People not only suffered health issues but also job loss and loneliness. As a consequence, many governments changed the restrictions where there was room to do so. This continuous change of rules probably hampered the formation of habits that are both positive (e.g. keeping a distance of the vulnerable) and negative (e.g. exercising less). Frequently changing regulations does not give people the time to adapt to them and create automated responses. This not only makes it difficult to stick to rules, but also creates a lack of clarity.

Similarly, adopting new habits to save some extra money can be extremely difficult. Even when customers are motivated to start saving more, it is difficult for them to stick to a weekly or monthly routine. They are regularly tempted (e.g. buy a pair of shoes) or forced (e.g. repair your car) to spend the money instead of saving it. Instead, many people rely on automated functionalities of their daily banking app (e.g. automated savings or purchase round-ups).

## 3 Summer sacrifices

The Covid-19 outbreak cancelled or changed many people's holiday plans. For many, a camping trip at home instead of an adventurous vacation abroad feels like a big sacrifice, especially now that the outbreak seems to be under control. As a consequence, people might permit themselves to be a bit more flexible with other requirements. This is called self-licensing. People allow themselves to engage in undesirable behaviour after a period of good behaviour, perhaps because they feel they've established themselves as moral, law-abiding citizens and no longer have anything to prove, or perhaps to reward themselves for their previous actions. After cancelling this year's summer holidays, people may feel psychologically permitted to take liberties in other ways, for example, by not always adhering to social distancing guidelines when meeting others.

Again parallels can be found in money management. People who are not habitual savers will probably permit spending after having set aside some money for long-term financial goals.

How can we prevent this self-licensing? The answer might lie in the framing of our behaviour. People feel licensed to indulge in “bad” behaviour because they previously did something good. If we frame the positive behaviour as acceptable and completely normal, people might not perceive it as a license to do something less virtuous.

With the changing Covid-19 measures and decreasing number of cases, it is not surprising that people find it difficult to stick to the government's looser rules. The question is whether we will have to pay for this later.