



What is Policy?

by

Sherri Torjman

September 2005

What is Policy?

by

Sherri Torjman

September 2005

Copyright © 2005 by the Caledon Institute of Social Policy

ISBN 1-55382-142-4

Published by:

The Caledon Institute of Social Policy
1600 Scott Street, Suite 620
Ottawa, Ontario, Canada
K1Y 4N7
Phone: (613) 729-3340
Fax: (613) 729-3896
E-mail: caledon@caledoninst.org
Website: www.caledoninst.org

Caledon publications are available on our website at www.caledoninst.org

Table of Contents

What is Policy?	1
There is no simple answer to this question	1
There are different ways to look at policy	2
a. Substantive and administrative policy	2
b. Vertical and horizontal policy	2
c. Reactive and proactive policy	3
d. Current and future policy	3
Public policy has a clear and unique purpose	4
Policy development is a decision-making process	4
Poverty reduction involves multiple pathways	6
Several steps comprise the policy process	7
a. Selecting the desired objective	8
b. Identifying the appropriate target	10
c. Determining the pathway	10
d. Designing the intervention	13
i. Policy target	13
ii. Cost and financing	14
iii. Political factors	16
e. Implementing the measure and assessing its impact	18
Summing up the key points	18
Policy in 25 words or less....	18
Endnote	19
References	19

What is Policy?

There is no simple answer to this question

Perhaps that is why so many people claim to have little or no understanding of policy. In fact, many would say that they don't "do policy." Others maintain that it has only minor relevance to their work – or, for that matter, their lives.

Not so. We literally eat, drink and breathe public policy.

Public policy determines the quality of the air we breathe and the water we drink. It affects the food we eat – how it is harvested, where it is distributed and sold, and how much we pay. It controls the way in which we clean and monitor (or not in the case of the Walkerton tragedy) the safety of the water supply. Public policy sets limits on air emissions – though, of late, governments seem to be issuing warnings of poor air quality more than doing anything significant to clean it up.

Transportation is another example of a domain governed by a variety of public policies, most of which are concerned with the safety of travellers. Public policy also regulates the public airwaves by way of licensing and other rules (the licensing for satellite radio is a hot topic at the moment). It determines the components of Canada's tax regime – which combines income, sales and payroll taxes – and their respective levels.

These are only a few examples of how public policy affects us both profoundly and pervasively. It influences virtually every aspect of our lives.

This paper discusses the concept of policy from a general perspective. It does not focus upon one specific area or program so much as the key elements embedded in the process of policy development. It is intended to support the work of two comprehensive community initiatives – Vibrant Communities and Action for Neighbourhood Change – which are engaged in local efforts to improve the quality of life.¹

Vibrant Communities is a national project that links 15 communities seeking effective local solutions to reduce poverty. Action for Neighbourhood Change (ANC) is a pan-Canadian project that involves four national and five local partners for the purpose of revitalizing five selected neighbourhoods across the country.

Both Vibrant Communities and the ANC projects incorporate a policy dialogue, which promotes coordinated management among various federal departments. The policy dialogue also acts as a vehicle for encouraging governments to engage with community participants in discussions of relevant policy, program and administrative issues [Torjman 2005].

There are different ways to look at policy

a. Substantive and administrative policy

Early in these structured policy conversations, it became clear that there are several different kinds of policy. The first is concerned with the legislation, programs and practices that govern the *substantive* aspects of community work. This dimension of policy includes, for example, income security, employment initiatives, child care services and social exclusion.

The second type of policy focuses largely upon *administrative procedures*. These involve, for instance, the collection of statistical information on neighbourhoods and the evaluation of complex community programs.

b. Vertical and horizontal policy

Substantive and administrative policy can be further classified as vertical or horizontal policy. The former refers to policy that is developed within the organization that has responsibility for its implementation.

Vertical policy is what we think of as the normal or traditional way in which policy decisions are made. Vertical policy is developed within a single organizational structure and generally starts with broad overarching policy, sometimes called “corporate” or “framework” policy. Such decisions are made at head office and guide subsequent decisions throughout the organization. At the regional level we might develop regional or “strategic” policy, which translates the national decisions to the regional level, taking into consideration the specific context. Finally, the regional policy is made specific enough to guide operational decision-making [Smith 2003: 11].

Horizontal policy-making, by contrast, is developed by two or more organizations, each of which has the ability or mandate to deal with only one dimension of a given situation. Horizontal or integrated policy is created between parts of an organization or among organizational components that are similar in hierarchical position [Smith 2003: 11-12].

Governments increasingly are focusing their efforts upon horizontal policy-making in recognition of the fact that many of the objectives they seek to achieve are complex and relate to the mandates of two or more departments, jurisdictions or non-governmental organizations. Areas of common interest include, for example, climate change, Aboriginal issues and the range of concerns rooted in cities and communities.

Collaborative arrangements are being driven partly by the pressure to enhance performance and achieve measurable improvements in service delivery. The 2005 Budget was the latest in a string of federal documents that highlight the need to strengthen and modernize public sector management. Horizontal management is seen as one way to ensure that the

federal government acts as a vibrant, cohesive and coherent national institution [Fitzpatrick 2000].

c. Reactive and proactive policy

Policy can also be categorized as reactive or proactive. Reactive policy emerges in response to a concern or crisis that must be addressed – health emergencies and environmental disasters are two examples.

Proactive policies, by contrast, are introduced and pursued through deliberate choice. The national skills and learning agenda exemplifies this approach. Knowledge and learning increasingly have been recognized as vital keys that unlock the doors to both economic wealth and social well-being.

In recognition of these crucial levers, the federal government launched in February 2002 two separate, but linked, national strategies: the National Strategy on Innovation and the National Strategy on Skills and Learning. Together, these strategies sought to ensure that Canada has the most skilled and talented labour force in the world.

This intent was reinforced in the fall 2002 Speech from the Throne which profiled Canada as “a world leader in innovation and learning, a magnet for talent and investment.” The 2003 federal Budget built on this theme by announcing Ottawa’s commitment to “provide new opportunities to learn and to work for all Canadians.”

d. Current and future policy

Finally, there is yet another way to categorize various policies: those that are currently on the public agenda and those that are not [Smith 2003: 10]. Issues already on the public policy agenda (e.g., health care) often have high profile. A formal process to amend or improve the existing arrangement generally is in place.

If an issue is not currently or never has been ‘alive’ on the public agenda, then there is work to be done in making the case for its importance and raising awareness about the implications of non-response. Making the case usually involves gathering evidence that supports the policy. Relevant evidence includes, for example, research findings, evaluation data and results from focus groups. (While the federal government actively promotes the concept of ‘evidence-based decision-making,’ its policy responses often lag behind the available evidence in many fields. The relative lack of investment in home care for seniors is a prime example.)

Public policy has a clear and unique purpose

Policy is a broad concept that embodies several different dimensions. The challenge is to articulate in a comprehensible and cogent way the meaning of this term.

In a nutshell, public policy seeks to achieve a desired goal that is considered to be in the best interest of all members of society. Examples include clean air, clean water, good health, high employment, an innovative economy, active trade, high educational attainment, decent and affordable housing, minimal levels of poverty, improved literacy, low crime and a socially cohesive society, to name a few.

These examples of broad societal goals are not intended to imply that all public policies are directed toward the entire population. Sometimes policies deemed to promote the public interest target only a certain group. Crime prevention policies are in place, for instance, to control the behaviour of repeat offenders. Public health policies may require the forced treatment of individuals with active tuberculosis. The intent of these public policies is to protect all members of society by focusing upon a select few.

Policy development is a decision-making process

A public policy is a deliberate and (usually) careful decision that provides guidance for addressing selected public concerns. Policy development can be seen, then, as a decision-making process that helps address identified goals, problems or concerns. At its core, policy development entails the selection of a destination or desired objective.

The actual formulation of policy involves the identification and analysis of a range of actions that respond to these concerns. Each possible solution is assessed against a number of factors such as probable effectiveness, potential cost, resources required for implementation, political context and community support.

In short, any given policy represents the end result of a decision as to how best to achieve a specific objective. Most people actually apply a similar process in the decisions they make in their everyday lives – even around fairly inconsequential choices.

Say, for example, that a person wanted to travel from Ottawa to Guelph, Ontario, to attend a national meeting. There are several options to consider in determining the optimal travel plans.

First, it is possible to drive this distance in a few hours. But an early morning start to the meeting requires a previous day departure and an overnight stay, adding to the cost of the trip. Moreover, the driver must feel comfortable navigating an area with which he or she may

not be familiar. The fatigue factor is an important element – particularly if the driver is an organizer of, or presenter, at the meeting. Some individuals may also need to consider environmental sensitivities.

Another option is to take the train from Ottawa to Guelph. Because there is no direct route, a combination of transportation modes must be arranged – a second train, bus ride, taxi or rented car between Toronto and Guelph is required. The need for a connection means that considerably more time must be allocated to this travel choice to take into account both the arrival time and the likely fatigue.

A third possibility is to fly from Ottawa to Guelph. This option also involves commuting arrangements between the Toronto airport and Guelph. But while it is the quickest route, it is also the most costly. This route will save time, but not money.

In the case of this decision, the traveller must weigh the following factors: travel time, scheduling considerations, cost, potential fatigue and degree of comfort with the proposed arrangement. The choice will depend upon the relative importance, from the perspective of the decision-maker, of each factor. What may be an obvious preference for some (e.g., the least expensive route) may not be the best option for others (e.g., they cannot make appropriate child care arrangements for a trip that requires an overnight stay).

The example presented here is not intended to imply that public policy formulation is a simple or simplistic process. Rather, the intent is to illustrate that most people engage – every day and all the time – in a similar method of making choices from a range of options in order to meet their unique needs or achieve certain goals.

Obviously, public policy issues are also far more complex than the travel case presented here. They typically affect a large group of people or even an entire population rather than simply one individual. But the process involved in the formulation of public policy is analogous to this personal exploration. A clear goal or destination – an objective to be achieved – must first be set. The various ways to get there or attain that goal are then identified and assessed.

Each possible route to a desired objective has unique strengths and weaknesses. These must be carefully considered in determining the appropriate option(s). Assessing and weighing the possible choices is important because the final selection must be justified on several grounds once it is made. There is always a requirement to ‘make the case’ for and then ‘sell’ the selected approach – whether the goal is poverty reduction, neighbourhood revitalization or welfare reform, to name just a few areas of current concern.

In addition to the complexity of public policy decisions, they also focus upon issues of greater consequence than how to get from one destination to another. The objectives of public policy include, for example, protecting the environment, enhancing healthy child development, promoting economic competitiveness, reducing poverty and revitalizing neighbourhoods.

In all these cases, there are many different routes (far more than the three identified for the Ottawa-Guelph travel). But like the travel decision, a combination of approaches typically is required to reach the destination. It is rarely sufficient to employ only one method to find a feasible solution – particularly in the case of a stubborn and seemingly intransigent problem. Poverty is a prime example.

Poverty reduction involves multiple pathways

Like many public policy concerns, poverty is a complex issue whose roots can be traced to many different factors. These include low levels of literacy and education; poor health or severe disability; barriers such as racial discrimination, which prevent entry to or advancement in the labour market; economic shocks such as recession or labour market restructuring that typically throw substantial numbers out of work; and sudden change in life circumstances, such as separation, divorce or death of a spouse.

While it has not been established that any one or all of these factors actually cause poverty, research evidence finds that they tend to be *correlated with* high levels of poverty. A correlation means that these factors are generally found to co-exist. The presence of multiple correlates of poverty means that a range of solutions is required to address this multidimensional problem.

Once the range of possible solutions is identified, the next challenge is to determine how much of which intervention is appropriate at what time. It is not feasible to do everything all at once.

In the case of reducing poverty, for example, there are many possible interventions, which ideally are used in combination. At the public policy level, in particular, various options include increasing child benefits to provide more money to lower-income families with children; setting an adequate minimum wage; indexing it to keep pace with the cost of living; and seeking a ‘living wage’ that takes better account of the needs of households [Battle and Mendelson 1997; Battle 2003; Makhoul 2005b].

Additional measures to tackle poverty can be delivered through the tax system. These include, for example, raising the taxpaying threshold so that workers with low earnings can retain more of their take-home pay; reducing Employment Insurance and Canada/Quebec Pension Plan payroll taxes (again to enable workers with low earnings to keep more of their pay); and raising the value of nonrefundable and refundable tax credits to decrease the taxpaying burden for lower-income households, in particular [Battle, Torjman and Mendelson 2005].

While other proposed methods for reducing poverty incorporate a public policy component, they typically require community involvement for effective delivery. These options include high quality child care to assist working parents; enhancing literacy, numeracy and basic computer skills; and ensuring opportunities for training and upgrading in a wide range of market-relevant fields [Torjman 1998].

Still other possibilities involve linking prospective workers to job vacancies; supporting community economic development; making available grants and loans for entrepreneurship; ensuring an adequate supply of affordable housing; and removing barriers to employment experienced by specific groups, such as new Canadians and persons with disabilities.

Finally, there is a set of actions that seek to reduce or offset costs incurred by lower-income households. Possible measures include, for example, reduced bus fare as introduced by the City of Calgary and the BC Capital Region; lower fees for recreational programs and facilities; subsidies for recreational equipment and clothing as provided by the City of Ottawa; and fuel subsidies.

It is clear that a range of actions can be taken by governments, alone or in conjunction with partners, to reduce poverty – the stated objective. Each of the potential solutions would become formalized as a policy response through new legislation, amendments to existing legislation, program directives or the creation of a special initiative or fund if the legislative base is already in place.

Several steps comprise the policy process

It would be unrealistic and even incorrect to say that the formulation of policy follows a clear and consistent pathway or route. Policy development is actually an involved and sometimes haphazard process that differs widely depending upon the concern being addressed. Sometimes it is a long and winding road with lots of detours and stops along the way. The disability agenda is a case in point.

Despite the variation in policy process, there are some general steps (described below) that are common to its development. These are:

- selecting the desired objective
- identifying the target of the objective
- determining the pathway to reach that objective
- designing the specific program or measure in respect of that goal
- implementing the measure and assessing its impact.

a. Selecting the desired objective

The first step in policy formulation is to determine the desired objective. Policy directives can be understood as an expression of commonly accepted societal values – e.g., fairness and equity are often cited as strong Canadian values. Public policy is basically shaped by and must be consistent with these values.

Within this context, the selection of objectives typically derives from priorities and imperatives set at the political level. The desired objective may be rooted in the platform of a political party or approved at its policy conference. A policy direction may be announced, for example, in the Speech from the Throne that opens a new Parliamentary session or in the federal Budget. It may be signaled in a ministerial or departmental announcement regarding the government's intended agenda in a certain area, such as promoting skills and learning, reforming the income security system, supporting a bio-based economy or investing in environmentally clean technologies.

Policy objectives can also arise from negotiations with provinces/territories and subsequent intergovernmental agreements that effectively incorporate an explicit or implicit agenda. For instance, the framework agreements on early childhood development, discussed below, form the foundation for work in this area.

Policy directives derive as well from obligations, such as international covenants, to which Canada has made a commitment. Canada is a signatory, for example, to the *UN Universal Declaration of Human Rights* (1948), the *International Covenant on Economic, Social and Cultural Rights* (1966) and the *International Covenant on Civil and Political Rights* (1966). Through their signatures, nations commit themselves to bring legislation, policies and practices into line with these obligations. These documents, at least in theory, are supposed to act as drivers, though action often lags far behind.

International trade agreements represent another form of commitment with which national policy is supposed to line up. These have resulted in major shifts in the economy and associated policies in respect of these agreements – many of which have not worked in Canada's favour in recent years (read 'softwood lumber').

Policy directives also arise from a range of driving forces that have a social, environmental or economic impact. A health or weather-related emergency, such as the 2003 SARS crisis in Toronto, the 2003 driest-BC-summer-on-record forest fires in Kelowna and the 1998 Canadian ice storm, usually generates new policies and public responses that would not have been introduced in the absence of these crises.

Other examples of policy changes brought about through powerful driving forces include the collapse of the east coast fishery, which prompted a set of policies on labour market adjustment and reconstruction of the economic base. The rising demand for fuel has created

pressures upon the energy supply throughout the world and has accelerated the search for renewable fuels. The so-called ‘granting scandal’ at the former Human Resources Development Canada saw the introduction of tighter accountability measures across federal departments.

The 9/11 terrorist attack in the US gave rise to a new set of safety and security measures (some of which infringe upon existing human rights protections). The health, social and economic crisis left in the wake of Hurricane Katrina has highlighted the need for more effective emergency preparedness procedures – and, equally importantly, for policies that reduce the disparities between the have and have-not’s in society.

But determining the objective may be difficult even in the presence of clear political intent. Some observers would argue that identifying the right question(s) is the most challenging part of the policy process. This is where the engagement of citizens becomes particularly relevant.

While governments are the primary formulators of policy, there is growing recognition of the need to engage the potential targets of any measure and citizens, more generally, in discussion of the options. Citizens certainly are keen to ensure that their voices are heard in the formulation of public policy. One of the functions of the policy dialogue earlier described is to provide community members involved in the Vibrant Communities and Action for Neighbourhood Change initiatives the opportunity to talk directly with government representatives about the issues of concern to communities and how governments can help address them.

There is also a need to consider the input from other sectors as well – including the voluntary and private sectors – in the formulation of public policies. If governments are to work effectively with other sectors, they must seek ways to open up the policy process. In fact, complex issues are being addressed increasingly through an approach known as ‘comprehensive community initiatives’ [Torjman and Leviten-Reid 2003]. These comprehensive initiatives explicitly encourage partnering and collaborative arrangements. They recognize the value of contributions from diverse backgrounds, networks and areas of expertise.

In the Vibrant Communities project, for example, the poverty reduction strategy in each of the 15 cities comprising the pan-Canadian learning partnership varies widely. But they have an important feature in common. They are all governed by a local body or coordinating mechanism. In order to participate in this project, each centre must involve representatives from at least four key sectors: business, government, the voluntary sector and people living in poverty.

The local governance body plans, implements and evaluates all aspects of the poverty reduction strategy. Their work is guided by the principle of inclusion. People living in poverty are not seen simply as targets or subjects of the various interventions. Rather, they are active agents in the creation and application of these interventions. Their involvement helps ensure the relevance of the work.

But it is important to acknowledge that this engagement is easier said than done. For one thing, it is impossible for any group – let alone a local project with modest funding – to be entirely representative of the community. All it can do is try to move forward continually toward greater inclusion and ask questions as to how well it is doing in this regard.

Another challenge around inclusion is less philosophical and far more practical. It pertains to the fact that many low-income individuals have not participated in comprehensive, multisectoral strategies or in discussions of policy. These processes can be intimidating – or at least not welcoming. Sometimes meetings are convened in venues, like boardrooms or City Council chambers, which are unfamiliar to many in the community. The formal procedures of such meetings as well as the style of discussion may also be foreign and may create a barrier to participation.

Some communities have created special groups of low-income residents who act as a sounding board for local initiatives. These groups provide feedback on priority issues, how the initiative talks about poverty in its public communication and the most helpful ways to undertake various strategies.

b. Identifying the appropriate target

The next step in the policy process is to identify the appropriate targets toward whom the policy should be directed – the entire population or designated households or group that meet certain criteria. The selected target is linked to the overall objective, which embodies within it either a direct or indirect statement of who will or should be affected by the proposed measure.

To a large extent, this task is tied to the next phase, which involves setting out the possible route(s) to reach the goal. Sometimes the target derives from the selected pathway, discussed below.

In other cases, the target group has already been identified as a result of a legislative or political commitment. The *Charter of Rights and Freedoms* embedded in the Canadian Constitution, for example, protects the rights of members of “equality-seeking groups” – i.e., those based on race, national or ethnic origin, colour, religion, sex, age, and mental or physical disability. The policy challenge is to find the most effective and appropriate means to promote the status of these designated groups.

c. Determining the pathway

A third phase in the policy process is to determine from a range of options how best to reach the specified objectives. This part of the work is often difficult and contentious. Few

oppose, for example, the need to reduce poverty or to improve the quality of life in neighbourhoods. But substantial debate can arise when it comes to selecting the most appropriate route to achieve this goal. While the end may be clear, the means may be hotly contested.

Sometimes the choice is not all that difficult. Someone with active tuberculosis requires medical treatment. While there may be disagreement as to the extent of force employed for the provision of treatment, only a minority would deny that it is in the public interest for active carriers to receive effective and prompt medical care.

Goals that can be reached by a wide range of possible interventions, by contrast, spark far more debate. Considerable thought, discussion, consultation (some would say not sufficient or genuine) and research typically precede any major public decision. In contrast to the usual way in which actions are rationalized, the means – when it comes to public policy – must justify the ends.

Say, for instance, that the overall goal of government is to reduce poverty in the country or even in a particular community or neighbourhood. As noted, there are many possible ways to reach this goal.

The desired outcome may be achieved, for example, by enhancing the knowledge and skills of an identified group in an effort to promote their employability. While the immediate result is not necessarily a reduction in poverty, the intervention has substantially improved their employability potential. Evidence points to a strong, positive correlation between educational attainment, occupational status and level of income. Higher levels of education are strongly linked, on average, to better jobs and, in turn, to higher income.

Based on this information, a focus upon knowledge and skills development is considered to be one of the most important pathways to reduce poverty. If this particular route to poverty reduction were selected, then a desirable output or result in respect of this objective might be the number of individuals who increased their level of education or acquired new or upgraded skills.

If the selected target group included high school dropouts, the long-term unemployed or homeless persons, for example, then improved literacy skills might be the relevant measure of success. If, by contrast, the effort sought to upgrade the skills of those who became unemployed as a result of technological change, then the desired outputs might focus upon retraining.

Alternatively or in addition, a poverty reduction effort could create jobs for the unemployed or link them to existing work opportunities. In this case, the outputs or results of the effort would be the number of new jobs or work placements.

For the most part, these examples involve the provision of supports to individuals or households. But there are other possible routes to reducing poverty. One is to focus upon employers in the private, government and voluntary sectors to encourage them to pay decent wages. Another is to ensure that various income security programs deliver benefits that are higher than poverty levels and that households potentially eligible for these programs are aware of their existence.

These possible measures in respect of a specified policy objective – reducing poverty – are intended to illustrate a general point. The same outcome of reduced poverty can be achieved in several different ways – e.g., education and training, employment and increases to wages and/or benefits. The specific results and their associated measures will vary depending upon the route selected to achieve the poverty reduction goal.

In another example, a government-sponsored meeting recently was organized to consider ways to respond more effectively to the needs of persons with disabilities. The options included possible changes to various income security programs and/or to the provision of disability supports.

A first set of questions posed at the meeting focused upon several potential reform options that had been identified as a result of extensive research and discussion. In each case, participants were asked to consider the following factors: How would such an option affect the lives of persons with disabilities and their families? What is the potential impact of such a policy? What are the key considerations in the analysis of this proposed measure, such as investment and effectiveness? Is this option on the right track in helping to achieve the identified objectives of the reform?

An additional set of questions then was posed that considered the broader impact of each proposal. For example, how would this option interact with the existing broader social security ‘architecture’ – i.e., the policies and programs that comprise the income security and social service systems? Which option would have the greatest impact? How can the agenda for persons with disabilities be moved forward within the current political climate? What are the best ways to advance the disability agenda in the near term?

In short, several key factors act as a lens against which to assess decisions in the development of public policy. Potential effectiveness – how well a policy will meet the stated goals – is the first key factor. Efficiency is a second key factor, which involves how well resources are utilized in achieving goals and implementing policy. Consistency is a third factor; it refers to the extent of alignment with the broader goals and strategies of government and of society, more generally.

d. Designing the intervention

Finally, policy formulation does not end once a preferred route to the desired outcome has been selected. There is typically considerable design work to be done after the approach has been identified. In fact, it is at this point that the detailed work and tough decisions actually begin.

Say, for example, that the government decides to tackle poverty through the delivery of income benefits. It then faces hard questions related to appropriate design including policy target, cost and financing of the proposed measure(s), and political factors.

i. Policy target

The target is explored yet again at the design stage, which involves a focus on detail. It is essential at this time to move beyond a generic statement of target. At the design phase, a decision must be made to determine precisely for whom this measure is intended (to the extent that this precision is possible) and how many individuals or households this selection potentially represents.

Using income security as an example, the first element of design has to do with determining the intended beneficiaries of the new or expanded benefit. Should it go to individual adults or to the household as a unit? In the latter case, should the benefit vary by family size? Should the current level of individual or household income be taken into account? Should the assets to which the individual/household has access be counted in the determination of eligibility and/or in the calculation of the benefit amount? The answers to these questions have a significant impact upon the types and numbers of recipients of the new or enhanced measure.

Employment status might also be considered in the design of the benefit. Should it be delivered only to those who are working in order to encourage attachment to the labour force? Or is it intended to promote workforce participation by recognizing employment-related costs? Yet another option is to pay the benefit only to those who are unemployed on the assumption that most live on incomes that fall well below generally recognized poverty standards.

The answer to these questions is linked intrinsically to the original policy objective. If the intent is to reduce poverty by enhancing labour force participation, then the former approach of providing additional benefits to those already employed is likely to be favoured. If, by contrast, the policy objective is to reduce the depth of poverty (i.e., the extent to which those who are poor fall below low income levels), then the second option involving the provision of assistance to the unemployed likely would be selected.

The determination of target includes other relevant issues. In addition to identifying the primary beneficiaries of a given measure, a set of questions typically is asked about which households or groups actually or potentially might ‘lose’ as a result of the proposed initiative. Sometimes a certain group will no longer qualify for a particular program because of the proposed redesign. At other times, the new measure may deliberately exclude a specific group because their inclusion would contradict its intended purpose.

The Canada Pension Plan, for example, pays a disability benefit to those who have made the required contributions and who no longer can work because of severe and prolonged disability. The rules intentionally leave out those whose disability may not be severe enough to affect employability.

Provincial and territorial social assistance programs determine eligibility for welfare not only on the basis of level of income and needs of the applicant. Assets are also considered on the assumption that applicants should first ‘spend these down’ before applying for income benefits from government. Applicants with assets that exceed the designated levels set by provinces and territories are deemed able to support themselves – if only for a limited period of time.

In short, policy decisions always consider the trade-offs and who might be expected to ‘lose’ – or at least not advance – if one party ‘wins’ some advantage, right or resource. The interests of a single group or region of the country typically are balanced against the interests of other groups or regions.

Another important design consideration is the actual level of benefit. Several factors are explored at this point, including its adequacy and interaction with other income programs, social services and the income tax system. One of the most significant design factors is cost and financing.

ii. Cost and financing

Not surprisingly, the question of cost is a key element of the policy process. The design of any policy initiative – whether related to income security or other area – must be costed to establish how much is required to support the proposed plan.

In the case of income security benefits, cost is determined not only by the proposed level of benefit but also by the number of people/households that potentially qualify for the assistance. An amount deemed excessive or prohibitive in a tough fiscal climate may mean scrapping the plan. Alternatively, it could involve going back to the drawing board to figure out how to address the identified problem in a less expensive way.

A third possibility is to conclude that the plan is sound but that the investments can be made over a period of time. The initial amount effectively becomes a down payment for additional spending in future as funds become available. The policy objective in this case is to establish the appropriate foundation to which dollars can always be added.

Early childhood development is a good example of this incremental investment [Battle, Torjman and Mendelson 2005]. The 2001 Budget announced \$2.2 billion over five years (2000-01 through 2005-06) to fund the September 2000 Early Childhood Development Agreement. It allowed Ottawa to help the provinces and territories increase their investment in a broad range of early childhood development services: promoting healthy pregnancy, birth and infancy; improving parenting and family supports; strengthening early childhood development, learning and care; and bolstering community supports.

In 2002, Ottawa committed \$320 million over five years to early childhood development services for First Nations and other Aboriginal children. The 2003 Budget allocated \$935 million over five years to finance the Early Learning and Child Care Agreement, consisting of \$900 million over five years to the provinces and territories and \$35 million over five years for First Nations children.

The 2004 Budget invested another \$150 million for Early Learning and Child Care (\$75 million more for 2004-05 and 2005-06), as well as another \$10 million over four years for early learning and child care subsidies for First Nations children living on reserves. The 2005 Budget announced an additional federal investment for a total of \$5 billion from 2004-05 through 2009-10, phased in at \$200 million in 2004-05, \$500 million in 2005-06, \$700 million for 2006-07 and \$1.2 billion for each of the remaining fiscal years up to 2009-10.

In this case, the political agreements provide the foundation for incremental investments over a period of time. These agreements may not have been reached had the total amount been required all at once.

Actual cost is not the only consideration. Sometimes the deciding factor is not how much, but who pays. Disability income is a prime example. The disability income 'system' (such as it is) can be described as a patchwork quilt comprising various income programs that pay benefits for distinct purposes.

Several studies have been carried out over the years in an effort to consolidate this disjointed array into a more coherent and cohesive system. At the end of the day, the proposals never get very far. High cost is a significant, but not the only, factor.

An equally important barrier arises from the fact that the current system involves many different payers who effectively contribute their respective shares for diverse purposes. Payers include the federal government (veterans' benefits; criminal injury compensation); provincial/territorial governments (social assistance; automobile insurance in selected jurisdictions);

employers (workers' compensation); employers and employees (Employment Insurance sickness benefits; Canada/Quebec Pension Plan disability benefits); and private insurance companies and individual payers (private insurance coverage) [Torjman 2000].

From an effectiveness and efficiency standpoint, the consolidation of these diverse programs would be the preferred policy choice. But when assessed from a financing perspective, no one party wants to assume the tab for the wide-ranging programs whose costs are now shared among several payers. Sometimes the obvious choice from a policy point of view is not the best option when cost and financing considerations are taken into account.

iii. Political factors

There is also a set of questions related to the politics of design. These arise from the fact that Canada is a federated structure whose governance framework is set out in the *British North America (BNA) Act* of 1867. The framework was supplemented by the introduction of the *Constitution Act* in 1982.

Under the BNA Act, the federal government is responsible for the “peace, order and good government of the country.” The Act confers a spending power that allows the federal government to make payments to individuals, institutions or other governments for purposes that Parliament does not necessarily have the power to regulate.

This interpretation means that the federal government has jurisdiction over areas that affect the well-being of the nation, including the armed forces, communications and international trade. More complex is the issue of income security, which basically became defined as a field in which both federal and provincial governments share an interest. From virtual provincial authority in the 1860s, income security emerged as an area of decisive federal dominance.

The federal government pays for and administers the Canada Child Tax Benefit. Ottawa is responsible as well for the delivery and financing of the three key elderly benefits: Old Age Security, the Guaranteed Income Supplement and the Allowance. The federal government effects a significant redistribution of income through a progressive income tax system. It collects revenues and distributes social benefits through refundable credits, nonrefundable credits and deductions [Battle and Torjman 2001].

The federal government has responsibility for the programs deemed to be social insurances – namely Employment Insurance and the Canada Pension Plan. Even here, the issue is not absolutely clear cut; Quebec runs the parallel Quebec Pension Plan and significant changes to the Canada Pension Plan require the agreement of a majority of provinces. Provincial and territorial governments administer last-resort social assistance, commonly known as ‘welfare.’ They also provide various tax-delivered benefits.

Constitutional responsibility for health and welfare, by contrast, was accorded to the provinces. But the political waters have been muddied through federal involvement in health, education, welfare and social services arising from its constitutional spending power.

In addition, municipalities are playing an increasingly important role in the Canadian political landscape. In 2005, for example, the federal Budget announced a new Deal for Cities and Communities. It builds on the agreement introduced in the 2004 Budget, which afforded a full rebate on the Goods and Services Tax (GST) and the federal portion of the harmonized sales tax for municipalities. The new Budget will deliver more than \$7 billion to municipalities over ten years to help fund infrastructure priorities such as roads, sewers, transit and clean water. These funds are essential in order to repair, replace and upgrade aging municipal hardware.

This jurisdictional divide means that any given policy area involves a range of actors whose various interventions ideally should fit together into a coherent package. The problem is that these pieces often contradict one another. Sometimes benefits delivered by one level of government are offset by another – thereby nullifying their effect.

In 1978, for example, the federal government introduced the refundable child tax credit, to provide additional assistance to low- and middle-income families. Rather than passing along the increase to welfare recipients, a municipality in one jurisdiction decided to reduce its welfare benefits by an equivalent amount. Instead of improving their circumstances, social assistance recipients would have been left in the same position as before.

But the problem goes both ways. Sometimes the federal government negates the impact of a provincial benefit. For instance, provinces increasingly are exploring the option of individualized funding in order to help persons with disabilities and their families purchase required supports. The value of this approach is that it allows a customized response to a unique set of needs. No two persons with disabilities are alike in their circumstances.

A lump sum of cash is paid to individuals in respect of their identified needs for both income and disability supports. But the allowance provided for supports, in particular, is not intended for the purchase of food or shelter.

Yet the federal government often treats the entire payment as an income benefit and requires that the recipient pay income tax on that benefit. (The ‘often’ qualifier is significant. It refers to the fact that the practice, which is questionable in itself, is applied inconsistently.) The recent report of the Technical Advisory Committee on Tax Measures for Persons with Disabilities called upon the federal government to rectify this problem [Technical Advisory Committee 2004].

e. Implementing the measure and assessing its impact

This paper does not focus upon the implementation or assessment of public policy – which are complex processes that require their own discussion. But it is clear that implementation is crucial to effectiveness, efficiency and consistency. A plan that may be excellent on paper could end up being very different from its intent if not properly implemented. It may be too slow, there may be too little investment for effective application or the policy may be inconsistent with other objectives or measures.

Ideally, all policies and programs should assess and correct their course on an ongoing basis. The need for continuing feedback within the policy process is based on the assumption that evaluation is important not just for accountability purposes. There is also a vital learning component implicit in this work, which leads to better quality practice when lessons are widely shared [Torjman and Leviten-Reid 2004].

Summing up the key points

Public policy represents a decision, made by a publicly elected or designated body, which is deemed to be in the public interest.

Policy development involves the selection of choices about the most appropriate means to a desired end. A policy decision is the result of a method, which in theory at least, considers a range of options and the potential impact of each. The weighing of options takes into account various factors, including:

- who benefits (the more the better)
- who might be negatively affected (the fewer the better)
- time required to implement the solution
- associated cost and financing
- political complexities of a federated government structure.

Policy in 25 words or less.....

At the end of the day, the formulation of public policy involves a process of making good decisions – for the public good.

Endnote

1. Descriptions of the Vibrant Communities and Action for Neighbourhood Change initiatives can be found on their websites at www.vibrantcommunities.ca and anccommunity.ca, respectively.

References

Aspen Institute. (2002). "Voices from the Field II: Reflections on Comprehensive Community Change." <http://www.aspenroundtable.org/voices/1.htm>

Aspen Institute. (1997). "Voices from the Field: Learning from the Early Work of Comprehensive Community Initiatives." <http://www.aspenroundtable.org/voices/1.htm>

Battle, K. (2003). *Minimum Wages in Canada: A Statistical Portrait with Policy Implications*. Ottawa: Caledon Institute of Social Policy, January.

Battle, K. and M. Mendelson. (1997). *Child Benefit Reform in Canada: An evaluative framework and future directions*. Ottawa: Caledon Institute of Social Policy, November.

Battle, K. and S. Torjman. (2002). *Architecture for National Child Care*. Ottawa: Caledon Institute of Social Policy, November.

Battle, K. and S. Torjman. (2001). *Lessons for the Russian Federation from the Reform of Income Security Programs in Canada*. Ottawa: Caledon Institute of Social Policy, May.

Battle, K. and S. Torjman. (1993). *Federal Social Programs: Setting the Record Straight*. Ottawa: Caledon Institute of Social Policy, Spring.

Battle, K., S. Torjman and M. Mendelson. (2005). *The Vote or Veto Budget: An analysis of the 2005 federal Budget*. Ottawa: Caledon Institute of Social Policy, March.

Dodd, J. and M. Boyd. (2000). *Capacity Building: Linking Community Experience to Public Policy*. Halifax: Health Canada, Atlantic Region, October.

Fitzpatrick, T. (2000). "Horizontal Management – Trends in Governance and Accountability, Service and Innovation Sector." Ottawa: Canadian Centre for Management Development. http://www.cmd-ccg.gc.ca/research/support_doc_e.html#2

Fulbright-Anderson, K., A. Kubisch and P. Connell. (1998). *New Approaches to Evaluating Community Initiatives Volume 2: Theory, Measurement, and Analysis*. Washington, DC: Aspen Institute.

Goetz, A. and J. Gaventa. (2001). *Bringing Citizen Voice and Client Focus into Service Delivery*. Brighton, England: Institute of Development Studies.

Leviten-Reid, E. (2004). *Reflections on Vibrant Communities*. Ottawa: Caledon Institute of Social Policy, March.

Makhoul, A. (2005a). *Assured Income for the Severely Handicapped Public Policy Initiative*. Ottawa: Caledon Institute of Social Policy, May.

Makhoul, A. (2005b). *The Living Wage Learning Initiative*. Ottawa: Caledon Institute of Social Policy, May.

Peters, B. (1998). "Managing Horizontal Government: The Politics of Coordination." Ottawa: Canadian Centre for Management Development. <http://www.ccmd-ccg.gc.ca>

Smith, B. (2003). *Public Policy and Public Participation: Engaging Citizens and the Community in the Development of Public Policy*. Halifax: Health Canada, Atlantic Region, September.

Technical Advisory Committee on Tax Measures for Persons with Disabilities. (2004). *Disability Tax Fairness*. Final Report to the Minister of Finance and the Minister of National Revenue. Ottawa: Department of Finance Canada, December.

Torjman, S. (2005). *Policy Dialogue*. Ottawa: Caledon Institute of Social Policy, June.

Torjman, S. (2004). *Engaging Disenfranchised Groups in Urban Health*. Ottawa: Caledon Institute of Social Policy, October.

Torjman, S. (2002). *The Canada Pension Plan Disability Benefit*. Ottawa: Caledon Institute of Social Policy, February.

Torjman, S. (1999). *Are Outcomes the Best Outcome?* Ottawa: Caledon Institute of Social Policy, November.

Torjman, S. (1998). *Can Communities Reduce Poverty?* Ottawa: Caledon Institute of Social Policy, April.

Torjman, S. and E. Leviten-Reid. (2004). *Learning and Evaluation for Poverty Reduction*. Ottawa: Caledon Institute of Social Policy, March.

Torjman, S. and E. Leviten-Reid. (2003). *Comprehensive Community Initiatives*. Ottawa: Caledon Institute of Social Policy, December.

Treasury Board of Canada Secretariat. (2002). *The Development of Results-based Management and Accountability Frameworks for Horizontal Initiatives*. Ottawa. <http://www.tbs-sct.gc.ca>



Click here to visit the Tamarack website for more engaging content! www.tamarackcommunity.ca