

### Policy Instruments and Delivery 'Mixes'

#### Government Policy Instruments

Policy instruments are the methods used to achieve policy objectives. All instruments have strengths and weaknesses. Options need to be assessed for viability and comparative merit. There is a huge range of policy instruments from the very broad to the very specific. Howlett and Ramesh identify some 64 different instruments in the field of economic policy alone.

Governments influence what happens in society through their repertoire of policy instruments. Like any field, the context in which policy is made influences the means that are chosen to achieve the desired ends. While in the past more coercive means such as regulation, taxation and public ownership approaches were widely used and supported, such techniques are now out of political favour. Contemporary policy-making is primarily focussed upon less-intrusive means of intervention and the use of less coercive policy instruments.

Howlett and Ramesh identify three types of policy instruments:

1. **'Voluntary'** instruments which involve little role for government beyond advocacy and persuasion;
2. **'Mixed'** instruments which employ a greater role for the state and include information and exhortation, subsidies, taxes and user charges; and
3. **'Compulsory'** instruments which include regulation, public enterprises and direct provision of services.

Alternatively, Bridgman and Davis suggest that there are four different ways of conceptualising policy instruments:

1. **Policy through advocacy** - arguing a case, educating or persuading;
2. **Policy through money** - using spending and taxing powers to shape activity;
3. **Policy through direct government action** - delivering services; and
4. **Policy through law** - legislation, regulation and authority.

Good policy relies on choosing the right mix of instruments for the problem at hand. Althaus, Bridgman and Davis present the following table summarising the range of policy instruments used by the three levels of government in the Australian federal system.

## POAD8014: Public Policy

<u>Policy Through Advocacy</u>	<u>Policy Through Money</u>	<u>Policy Through Government Action</u>	<u>Policy Through Law</u>
<b>Commonwealth</b>	<b>Commonwealth</b>	<b>Commonwealth</b>	<b>Commonwealth</b>
funding for education promotional activity	fiscal management of micro-economic goals	cabinet decisions	legislation
consultative boards	taxes (income, business)	creation of new institutions	regulations
ministerial speeches and events	private sector incentive schemes	public service programs	parliamentary resolution
policy announcements	grants to the states	funding for statutory bodies and NGOs	administrative acts
		administrative decisions	
<b>State</b>	<b>State</b>	<b>State</b>	<b>State</b>
funding for educational promotional activity	taxes (land, levies, fines)	cabinet decisions	legislation
consultative boards	industry, tourism and commercial incentives	creation of new institutions	regulations
ministerial speeches and events	economic development infrastructure spending	public service programs	parliamentary resolution
policy announcements		funding for statutory bodies and NGOs	administrative acts
		administrative decisions	
<b>Local</b>	<b>Local</b>	<b>Local</b>	<b>Local</b>
funding for educational promotional activity	rates and levies	service delivery by council or contractors	legislation
promotion of council initiatives in local media	user charging for council facilities	cultural services	zoning and development approval powers
consultative boards	minor local financial incentives for business		town planning and building approvals

Source: Althaus, Bridgman and Davis, 2013, Chapter 6.

## Selecting Policy Instruments

The criteria for selecting the best policy instrument in given circumstances involves a combination of technical efficiency and political nous. Points to consider include:

- appropriateness: is this a reasonable way to process?
- efficiency: will the instrument choice be cost effective?
- effectiveness: can the instrument get the job done?
- equity: are the likely consequences fair?
- workability: is the instrument simple and robust?

## Implementation Instruments

As well as being a critical consideration in the design of policy, the selection of instruments is also central to effective implementation. While Ministers and Cabinet are frequently involved in the selection of policy instruments in designing policy and setting goals, it is frequently government agencies that determine the detail of implementation strategies. Factors taken into consideration include cabinet intention, available resources, the policy target group, the risks of failure and any likely political constraints. Althaus, Bridgman and Davis identify a range of coercive and non-coercive implementation instruments.

Non-coercive Forms of Action	Coercive Forms of Action
communication	licensing
contracts	legislation and regulation
expenditure	administrative directions
inspection	reporting
loans, subsidies and benefits	taxation
taxation incentives	

## Instrument Choices in Program Delivery

Often new policies require new organisational arrangements - either new programs within a department or the creation of whole new agencies. A range of vehicles and program delivery choices is available and each serves a specific purpose.

**Departments** - these are government funded and staffed by public servants. They are likely to be used in circumstances where the service is too complex or interrelated to other services to be commercially viable; when confidentiality and accountability are critical and when legal authority cannot be delegated.

**Statutory Authorities** - these are government funded and staffed by public sector employees based in statutory bodies which often have their own legislation. They are likely to be used when there is a need for judicial or quasi-judicial decision-making, when independence from ministerial control is required for public confidence or when

## POAD8014: Public Policy

---

independent advice is required. Examples include courts, regulatory authorities, and organisations like the Australian Broadcasting Commission

**Government Owned Enterprises** - these are commercial operations where the government is the sole owner. Such organisations are not subject to tax, pay dividends to the government and are staffed by public sector employees. They are likely to be used to provide services for which commercial alternatives are available or during a transition process to privatisation. SA Water is a local example.

**Government Owned Companies** - these are fully commercial operations which have the government as a shareholder. They are established under corporation law, run by a board of directors, and staffed by private sector employees. They are becoming rare in Australia but are likely to be used when privatisation is inappropriate because of monopoly considerations or when competition is required in a market. Examples, until recently, included Telstra, Qantas, and the Commonwealth Bank.

**Contracting Out** - in this instance the government specifies the product to be supplied, awards contracts through a tender process and monitors performance through the public service. This method is likely to be used when business or NGOs can supply goods at cheaper rates than the public sector, when government doesn't want to invest in the necessary infrastructure or when the necessary skills are in short supply. Examples include outsourcing of government computer services, the Job Network, major construction projects.

### Implementation Traps

Bridgman and Davis identify a range of problems that can be encountered in implementation and which can derail a policy process.

- incomplete specification
- conflicting objectives
- conflicting directives
- inadequate administrative resources
- inappropriate agency
- incentive failures
- limited competence
- communication failures

### Delivery Mixes

Parsons suggests that modes or systems of policy delivery have become a central concern of public sector analysis. Public goods and services are now delivered through ever more complex and diverse sets, or mixes, of institutions and instruments. Implementation now involves a large number of stakeholders and this gives rise to the potential for conflict and dysfunction. Today, policy fields are composed of a plurality of actors, institutions, organisations, modes of enforcement and values whose relationships change and vary over space and time. Parsons identifies four types of policy mixes, delivery systems which are a blend or compound of market, bureaucratic, hierarchy, network and community models of organisation.

### Governmental Mix

This is a territorial dimension which considers the balance between the national, regional, local and neighbourhood levels of government. It is determined, in part, by which part of government is responsible for delivery and on the political and constitutional traditions and arrangements between federal, state and local governments.

There is a strong contemporary emphasis on decentralisation, with more and more areas of service delivery being moved downwards and outwards from the Federal and State government levels to the local government and community levels. Local management networks closer to citizens/consumers/clients/voters are replacing centralised bureaucratic structures. These new flatter, more fragmented structures are based on localisation, flexibility, devolved management and organisational culture and change. However, alongside this trend towards decentralisation there remains a need for some form of centralisation and secure control in the centre of the government mix.

### Sectoral Mix

The mix of levels (or spheres) of government must also be considered alongside the sector which is involved in the delivery of public goods and services. The task is to find a balance between the public, private and voluntary/third sectors with a strong emphasis now placed on public-private partnership and service delivery through the voluntary sector.

The involvement of the voluntary sector in social and other policy areas is a matter of growing interest. While historically voluntary organisations have made significant contributions, their role is now coming to the fore as governments find themselves no longer capable of providing the social and community services expected of them. The voluntary sector is now intrinsically intertwined with other sectors, a shift which has changed the behaviour of all parties, increased their interdependence and blurred the traditional distinctions between them.

Some have argued that there is a danger that the close relationship which increasingly exists between state, private and voluntary sectors will have a damaging effect on the independence of voluntary organisations which are now forced to compete for resources. Many voluntary organisations have consequently lost direction, become preoccupied with financial opportunities and managerialist values and been neutered as critics of government. There are also specific limits and problems with excess reliance on the voluntary sector, in particular the loss of the role of voluntary organisations as 'mediating structures' standing between the individual and large state and business institutions.

The 'community' is another sector distinct from the market, the state and the bureaucracy. Many policy approaches are now 'community based' but what this actually means is as contested as the plethora of definitions surrounding the term 'community' itself. Community policy may be directed at a neighbourhood or part of a town (a territorial definition) or at a group of people who share a problem or interest such as 'young people', the 'gay community' or the 'disabled community' (non-territorial). Forms of community policy can be divided into three major approaches:

## POAD8014: Public Policy

---

- community development - helping the community help itself
- community service - making services more responsive to the community
- community action - issues of power and mobilisation of interests

### Enforcement Mix

Policy is all very well but without an enforcement or compliance capability, the delivery of public policy is unlikely and uncertain. As Parsons creatively points out, the mix of enforcement methods may range from brute force and fixed bayonets to information broadcasts that seek to change behaviour. Markets, bureaucracy and community are also enforcement vehicles.

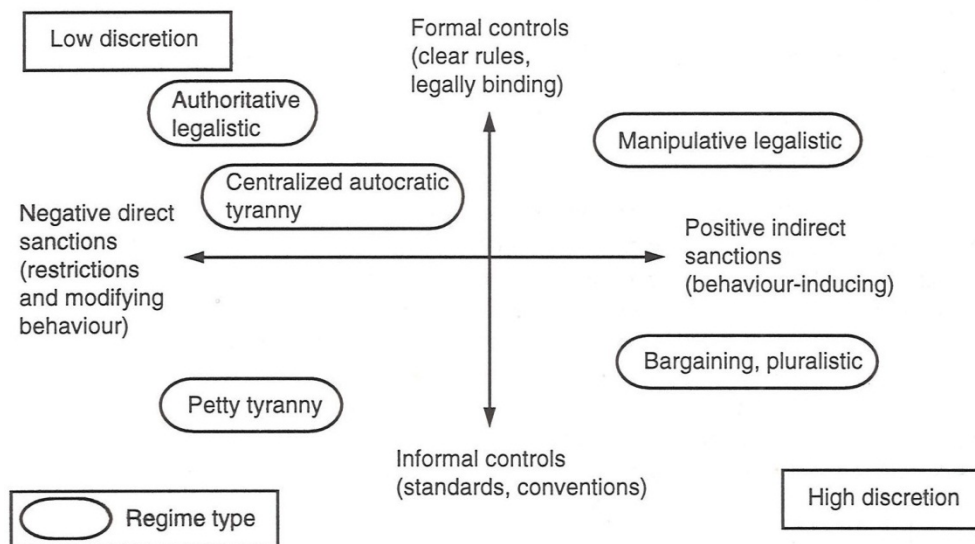
Boulding distinguishes between three kinds of power behind enforcement strategies - threat, exchange and love - and their consequences - destruction, production and integration. Elements of these strategies can be blended to make a mix of enforcements which societies use to gain, force or produce compliance.

### Hood's Modes of Enforcement

- set aside/modify rules
- spread the word
- pursue and punish rule-violators
- make it physically difficult, impossible, and inconvenient to break rules

Burch and Wood have developed another view of enforcement based on the concept of negative sanctions which prevent people doing things and positive sanctions which are aimed at inducing a change in behaviour. These positive and negative sanctions are applied through the use of formal and informal controls and can result in a variety of political regimes characterised by bargaining, tyrannical, manipulative or authoritarian approaches.

Figure 4.13 Enforcement and regime type



Source: Adapted from Burch and Wood (1990)

Source: Parsons, 1995, p. 515.

## Value Mix

Parsons suggests that underlying the delivery mix of a given policy program lies a set of values which frames meanings and informs decisions. The governmental, sectoral and enforcement mixes are ultimately manifestations of the values of policy-makers. The value mix will involve choices and priorities regarding the allocation of resources between policy and problem areas, as well as between different programs directed at common problems, and will reflect values, and beliefs, power and interests.

Contemplation of this mix requires exploration of philosophical questions such as whether the goal of a policy should be the attainment of greater 'efficiency' or greater 'equality' or 'equity'. Depending on which emphasis is chosen, a very different approach may be taken in relation to the selection of governmental, sectoral and enforcement choices in policy design and implementation.

In the past there has been a tendency for policy-makers to latch onto a particular set of values associated with particular sets of instruments - markets, bureaucracy or community. Assuming, for instance, that the market is always right and that it will deliver the best results for the community precludes a huge range of policy choices.

The ultimate test for any delivery mix is whether citizens are satisfied with the goods and services which it provides. Albert Hirschman's *Exit, Voice and Loyalty* framework can be deployed to examine the public response to policy directions. In this perspective, there are three basic responses which individuals use to express their views:

**Exit** - essentially an individualised, self-interested response, the consumer simply chooses not to buy the product or service

## POAD8014: Public Policy

---

**Voice** - in this approach citizens articulate interests or protest in a political sense in an endeavour to change government policy or programs

**Loyalty** - restricts or retards exit and increases the propensity to choose voice

Parsons concludes his examination of policy instruments and delivery mixes by stressing the need to consider the relationship between two sets of goals and values: the desire for control and the formation of social consensus. Policy can specify certain states of affairs or it can attempt to harness societal support for particular goals. Etzioni suggests that while there is no simple, straight-line substitution, by and large, increasing one element reduces the other. For some time now, the making of public policy and public management have been primarily control-oriented and in reaction to this we have seen the emergence of new communitarian approaches which are attempting to shift the mix further back towards a more consensual form of governance.



### References

Althaus, C., Bridgman, P. and Davis, G. 2013, *The Australian Policy Handbook*, Allen & Unwin, Sydney, 5<sup>th</sup> ed.

Howlett, M. and Ramesh, M., 1995, *Studying Public Policy: Policy Cycles and Policy Subsystems*, Oxford University Press, Toronto.

Parsons, W. 1995, *Public Policy: An introduction to the theory and practice of policy analysis*, Edward Elgar, London, Part Four: Delivery Analysis, Section 4.4, 'Delivery Mixes', pp. 491-542.