

What are policy frameworks?

One question we often get asked to elaborate on is what we mean by policy frameworks.

Why policy frameworks?

Policy frameworks are crucial for good policy. They provide a structure, a link to the theory and evidence, and highlight the focus questions that differentiate good quality policy advice from rhetoric.

Understanding the policy frameworks used by different agencies also avoids the 'lost in translation' problem when agencies converse.

What are the limits?

Policy frameworks focus on some aspects and ignore others. A framework is like a lens that sharpens aspects of reality by bringing them into focus. But this focus inevitably comes at the cost of the loss of focus on other perspectives. This has three practical implications:

- Policy analysts need to understand the policy framework that others use so they avoid talking past each other.
- It is important that the user understands and communicates the limits of a framework as well as its strengths.
- Problem diagnosis and definition is critical to selection of the right framework to apply.

So, what is a policy framework?

A policy framework helps to provide a logical link between the analysis and policy recommendations. Policy frameworks provide structured logical, causal relationships between the concepts, available evidence and policy recommendations. By focusing on causal links, a policy framework highlights possible levers and points for intervention.

Policy frameworks provide focus questions including:

- How to best frame and think about an issue?
- How does it work? (Do $a + b$ make c ?)
- What are the defining characteristics?
- Where are the possible points of intervention?
- What is the binding constraint?
- What are the critical success factors?

Policy frameworks sit in the middle of a continuum shown in Figure 1 that ranges from 'bottom line' formal theories and models to 'top line' processes that generate public value.

Figure 1 Policy frameworks and public value

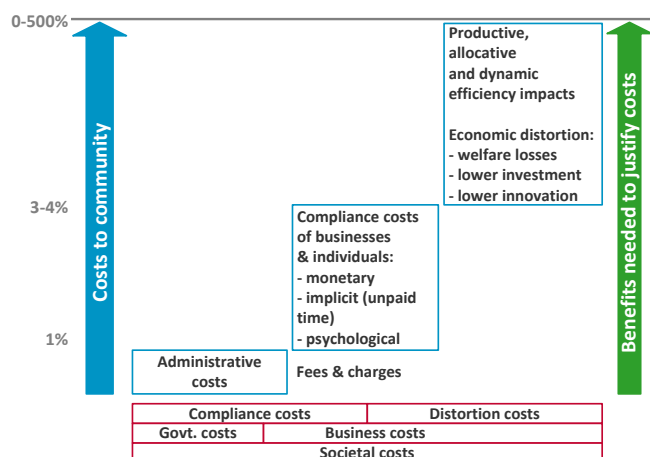


Source: NZIER

Policy frameworks can easily be confused with policy processes (business rules such as the CabGuide), policy tools (such as cost benefit analysis), policy programmes with a particular ethos or approach (such as Whānau Ora) or service delivery tools (channel management).

An example of a policy framework (shown in Figure 2) applicable to taxation and regulation is the burden administrative, compliance and distortion costs impose on different parts of society. This is widely used to assess the impact on economic efficiency of different tax and regulatory interventions.

Figure 2 Multiple potential burdens from taxation and regulation

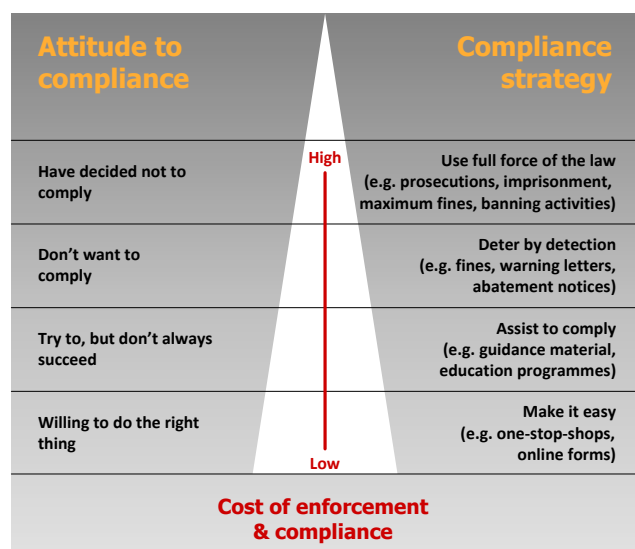


Source: NZIER based on Victorian Productivity Commission

The key point is that behind any discussion of efficiency costs of taxation there should be a robust framework based on a well-developed theoretical structure supported by empirical estimates. In contrast the literature on the efficiency costs of regulation is not so well developed.

Another example of a well-developed and widely used framework is the enforcement pyramid shown in Figure 3. This framework has been adopted by numerous enforcement agencies across the OECD involved in taxation, other revenue collection and regulation.

Figure 3 Enforcement framework



Source: Based on Ayres and Braithwaite (1992)¹

The framework highlights the need to segment clients and design quite different strategies to deal with different segments.

Like all such frameworks it has its weaknesses, for example, if we were to apply it to the social investment approach with market segmentation, its main limitations include the difficulty of identifying what classification a customer fits under, and the lack of focus on relative harm.

Practical implications

Applying the right policy framework to an issue is critical for the **problem diagnosis** and the selection of the **right policy levers to address the problem**.

Policy analysts need to have common policy frameworks that other agencies use, to communicate efficiently with each other. For example, an ‘early intervention’ in the social services sector (children 0-7 years) is quite different from the Justice sector’s use of the term which refers to youth and young adults who have been caught for their first infringement or crime(s).

It is important that the user understands and communicates the limits of a framework as well as its strengths.

Why are policy frameworks important?

Policy frameworks are what distinguishes robust advice from pure rhetoric and opinion.

They:

- Provide a structure, link the advice to the theory and evidence, and highlight the focus questions.
- Shape the argument and supporting position.
- Take advice away from “Tis/ Tisn’t” or “blue is best” type debates.
- Open the door to the use of other literature and evidence also grounded in the same framework.
- Provide a common ground for discussing an issue with others.
- Ground advice in an appropriate theory or logical approach to support the analysis.
- Help define the problem and select from a range of interventions.

¹ Ayres, Ian, and John Braithwaite. "Designing responsive regulatory institutions." *The Responsive Community* 2, no. 3 (1992): 41-47.

Tips and tricks

The focus provided by a policy framework comes at the cost of the loss of focus on other perspectives. Key tips to bear in mind are:

- Look across the system – every problem is different but one can learn from analysts in other domains who are grappling with similar issues.
- Look across disciplines for tractable, practical problem solving tools to convert to your own use.
- KISS – use the least demanding framework that is as simple as possible without becoming simplistic.
- Devote time – selecting the right framework to apply is key to success.

This paper was written by NZIER, May 2017.

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