



Evidence-Based Policy: Two Countervailing Views

Paul Jensen and Jenny M Lewis

ISSUES PAPER SERIES No. 01/13

NOVEMBER 2013



**MELBOURNE
SCHOOL OF
GOVERNMENT**

Authors

Professor Paul H. Jensen

Professor Paul H. Jensen is Assistant Director Research (Knowledge and Expertise in Public Policy) for the Melbourne School of Government. He is an industrial economist who specialises in the economics of innovation, science and technology policy. He has published in prestigious international journals and participates regularly in policy debates as illustrated by his submission to Government reviews and his publications in the popular press. He has done work for IBM, PricewaterhouseCoopers, the OECD, the European Commission, the Productivity Commission, and NSW Treasury. He was also an expert panel member on the Australian Federal Government's National Innovation Systems Review and WIPO's Roundtable on "IP and SMEs".

Professor Jenny M Lewis

Professor Jenny M Lewis is the Research Director for the Melbourne School of Government, and an expert in public policy and governance. She currently holds a prestigious Australian Research Council Future Fellowship. Jenny has published widely in highly-ranked international journals on governance, public sector innovation, policy influence, and the policy-making process, and is the author of four books. She has received numerous individual, joint, and large consortium research grants in Australia and elsewhere, and her work has been internationally recognized with American and European, as well as Australian research prizes.

Introduction

POLITICIANS OFTEN CALL ON THE NEED FOR MORE 'EVIDENCE-BASED POLICY'. BUT WHAT DOES IT ACTUALLY MEAN AND HOW CAN IT BE IMPLEMENTED?

In this Issues Paper, two counterpoints on the importance of evidence-based policy are presented: one from an economist's point of view (Paul Jensen) and the other from a political scientist's perspective (Jenny Lewis). In the first half, Paul Jensen explains that although the evidence-based message is simple, the importance of being able to distinguish strong evidence from weak evidence is often forgotten. Without some framework for constructing a hierarchy of evidence, policymakers may just be repeating yesterday's mistakes. Jenny Lewis counters that, even if strong evidence is provided, policy-making is a political process and so evidence is a necessary but not a sufficient condition for action. In this world, the idea of evidence being used, without consideration for the social and political context, is utopian. In democratic terms, it may be beside the point, or even dangerous.

Together, the economist and the political scientist shed some light on evidence-based policy, in regard to both its promise and its problems.

The Economist

The ultimate goal of evidence-based policymaking is better public policies, thereby creating healthier and wealthier societies. Evidence-based policies should also provide taxpayers with more confidence that the Government is spending their hard earned money wisely. Once we agree that these are the right goals to strive for, the question is: how do we get there? Setting lofty, long-term goals is no doubt important, but there is much we can do in the short-term to evaluate how government policies are faring with regard to our 'healthy and wealthy' agenda.

The idea underpinning evidence-based policy is pretty simple: since the world is a complex place, it is not always straight forward to determine whether a policy has worked: we need to invest effort into figuring out which ones 'work' and which ones don't. The use of evidence – rather than relying on ideology – should ensure that good policies survive and bad policies are killed off.

Despite its apparent simplicity, the evidence-based policy agenda is often misunderstood. Assuming we can agree on what we mean when we say the policy ‘works’, we need a set of tools and techniques to help guide us. But how do we do this? The key challenge is to identify a counterfactual: what would have happened in the absence of participating in the program? Although this is challenging, there are ways in which it can be calculated.

Public policymakers face a difficult task in trying to maximise the returns from their programs. Focusing on the economic (non-political) objectives of the program, it seems obvious that all policymakers want the best possible outcomes given the prevailing economic conditions. However, programs have both intended and unintended consequences, which both need to be accounted for.

More generally, it often isn’t possible to predict the effects of a specific policy unless similar policies have been implemented elsewhere. But lessons can only be learnt if the outcomes of the program are carefully documented and analysed. Since it is difficult to establish causal effects of policies, such analysis must be undertaken carefully. The consumers of this analysis are ultimately the central agencies who control the purse strings of the government departments: ‘high-quality’ evidence is needed to convince them of the merits of the program.

Doubtless, there are many factors that influence the success of a specific policy. Nevertheless, there are a range of methods and techniques that can be used to examine the effects of specific programs. These methods produce the ‘evidence base’ from which to build better policy. But because not all evidence produced by these methods is the same quality, it is equally important to be able to rank them. That is, to provide a hierarchy of evidence – in which the gold standard will provide robust causal evidence of the effects of a specific program.

In recent years, it has become clearer that access to unit-record data has become important for building the evidence base: the analyst must be able to see the characteristics of the individual unit of interest in order to draw strong inferences about the effects of policy. And with many new initiatives to link data and make it more accessible, there is every chance that technology will make it much cheaper (and safer in terms of privacy) to do so in the future.

Programs often have effects that ripple throughout the economy, not just on the target group of interest. For example, programs designed to impact mothers’ labour supply will probably affect mothers’ decisions about if (and when) to return to (casual, part-time or full-time) work, but are also likely to have effects on the demand for childcare services, take-away meals

and dry cleaning services. In these studies, the determination of whether a program ‘works’ is in the broadest sense of the word.

Since these economy-wide effects are difficult to evaluate, evaluations often resort to the simpler (but still difficult) task of evaluating the effects of the program on the target group: that is, whether the program works in the ‘narrow sense’.

In order to determine the effects of a program, the analyst could adopt the following strategies:

- i.** Analyse a number of individuals before and after the ‘treatment’ (i.e. participation in the program). However, this approach will not help the analyst disentangle the effects of the treatment from other contemporaneous factors.
- ii.** Observe two identical individuals (one who receives government assistance and one who doesn’t) and observe them over time. However, it is impossible to have two identical individuals. If there are systematic differences between the two, then it is difficult to disentangle the effects of the policy from differences in the individuals.
- iii.** Observe both treatment and control groups before and after the participation in the program. But this doesn’t enable the researcher to separate the effects of the program from other contemporaneous factors.

iv. Observe the same individual in two different states of the world at the same time (which is impossible).

v. Take advantage of a quasi-natural experiment where one group is subjected to an exogenous effect and an otherwise identical group is not. By ‘exogenous’, we mean the affected people had no choice in whether or not they are part of the treatment group.

vi. Randomly allocate individuals to either a treatment or a control group and compare them over time.

The disagreements between the ‘experimental’ and ‘non-experimental’ camps – often referred to as the ‘randomistas’ and the ‘regressionistas’ respectively – are quite marked.

The experimental approach in social science mimics the approach adopted in the natural sciences by randomly assigning individuals to a ‘treatment’. By effectively flipping a coin to determine whether an individual is in the treatment or control group, it is possible to overcome the problems associated with unobserved differences (e.g. differences in how motivated the individuals are) in the ‘treatment’ and ‘control’ groups.

The non-experimental approach uses econometrics to try and deal with the fact that people choose to participate in the program (i.e. participation is not random). Selection into the program on factors that we cannot observe directly

(which may be correlated with variables of interest) is indeed a major problem. But with the advent of more (and cheaper) data, econometricians can deal with this. However, self-selection is often done on unobservable characteristics which are extremely difficult to capture.

What limitations there are with regard to the ability of the experimental approach in social science? One obvious pitfall in the social sciences is the lack of a 'placebo': in medical trials, two groups are given pills, but one is given a pill which turns out to have no active ingredient. This approach simply can't be imitated in the social sciences: it is impossible to fool the members of the control group into thinking they might be receiving a treatment when they aren't.

Experiments are also potentially subject to ethical concerns. The counter to the proposition that it is unethical to simply toss a coin to determine who receives the 'treatment' is that the reason the randomised trial is taking place is to determine whether the policy works: it is only unethical to conduct the trial if we already know that the policy works. If you don't know whether a specific policy works, it is unethical i) to do nothing; or ii) not to conduct an experiment. However, there is residual concern that experiments have been used in areas where we do know whether the policy works.

Another concern with experiments is that they are typically conducted in environments with unique characteristics which may not be representative of all possible environments. Therefore, the results observed in one setting might not be generalizable to all contexts. Problems of this nature arise in non-experimental analysis too. But experiments tend to get criticised for this shortcoming more than other methodological approaches simply because experiments have solved most of the other methodological issues!

Notwithstanding these concerns, there is much more that could be done to improve the quality of the evidence base used in designing public policy. For example, we should renew efforts to improve access to unit-record data, think carefully *ex ante* about how to design and implement program evaluation, continue to build capability within the Government with regard to undertaking evaluation, and continue to promote the adoption of best-practice evaluation methodologies.

Taking these steps is crucial if we are to continue to live in a prosperous nation. Moreover, it will help ensure that we spend taxpayers' money wisely and prudently, which is an important part of the covenant between government and the people.

The Political Scientist

Engaging directly with the political rather than attempting to focus on evidence, provides a counterpoint on this topic of evidence-based policy. Policy making is inherently a political process which involves party politics, political institutions and structures, and political actors. So, let us put to one side for the moment questions about what is 'good evidence', and examine theories of policy-making instead. Four factors that highlight the social, political, organisational and economic context of policy making are dealt with, then some problems with the idea of 'evidence' is returned to.

A rational view of policy, casts it as a purposive course of action followed by a group of actors in dealing with a problem, seeing policy action as a value maximising choice taken by a unified single actor, in response to a particular problem. In formulations such as this, policy results from a disinterested consideration of alternatives to a particular problem. It is widely accepted that policy making rarely displays this set of characteristics.

Such views of policy, turn it into a theory of choice and a study of costs – the realm of economists. Observing the reality of policy-making, it soon becomes apparent that there is generally not a single unified actor, alternatives are severely limited, there

are few clear ideas of values, and no information on which alternative will maximise values. Some argue that policy results from a process which proceeds through incremental adjustments to existing policy, because of the limitations on decision making in political climates.

Another step back from the idea of bounded rationality is the argument that the techniques of policy analysis can be separated into technical and political knowledge. And yet another is to recognise that problems and solutions are un-coupled and non-sequential: Problems do not necessarily come before solutions and solutions are not necessarily generated in response to particular problems. They only come together with politics at certain opportune moments, to create policy change. And they take place against a background of an underlying set of policy priorities, which are shaped by those with power.

Policy-making is an ongoing process. It necessarily involves people, who use a whole range of resources and organisations and institutions to articulate their values. Viewing policy in this way, rather than an independent series of decision points, clarifies why the connection between evidence and policy is often tenuous and sometimes totally absent. Policy making is fundamentally shaped by enduring sets of inter-organisational and interpersonal relationships, values and norms.

To summarise, the policy process lacks rational comprehensive characteristics, even when the evidence used in policy formation itself displays these characteristics. Policy is often too complex and too contested to be amenable to rationality. Evidence is just one part of the puzzle of policy making in a democracy. The evidence gathered – both technical and political - is always determined by and set against a particular context of prevailing norms and values and political, organisational and economic factors.

There are very many reasons why evidence is but one part of policy making, and very many contextual factors which shape the kind of policy choices that are made. Four of these are discussed briefly in the remainder of this paper:

- 1.** naming and framing (how we describe the problem);
- 2.** networks of influence in policy making;
- 3.** argumentation or persuasion; and
- 4.** solutions (the types of proposals advanced).

Naming and framing in policy are enormously powerful. It influences what is seen in relation to a particular policy problem. Once an area has been labelled and a boundary has been drawn around what will and will not be discussed, certain things become visible and others are hidden, and beliefs are created about what policy

can change and what it cannot touch. It also structures the discourse of a particular area, limiting what can be talked about, defines who has a right to be involved in the discussion, and what kind of power they will have. The use of evidence in policy-making, can only be understood in relation to these. A different definition can change power relations and provide different types of evidence with legitimacy. In relation to evidence, it becomes clear that only evidence that appears to fit the problem will have an impact. It is of little utility to have very strong evidence if it appears to be dealing with something outside of how the problem has been defined.

Networks between people structure a policy sector, allocate power and influence, and shape decision making. In some studies of power there have been attempts to try and determine who is influential in a particular policy area, and who is connected to whom. Core influential people can be identified by examining the network structure of a policy sector. These people hold key positions in making decisions, and if you cannot get to meet with these people, you are unlikely to get any policy change. People who are largely unconnected to influential people have few chances of influencing the policy agenda. The best evidence in the world, if it remains unconnected to the decision process, will have no impact on policy.

Argumentation is important because policy making is based on discussion and persuasion. It is not just about using evidence, but making a good argument. Here it becomes obvious that a focus on rationality (including the idea of evidence-based policy) misses the point of politics. It is more useful to understand analysis in and of politics, as strategically crafted argument. If we accept that policy is a process inhabited by actors linked into ongoing relationships, it is clear that argumentation is important. Actors engaged in the policy process are encouraged to adjust their views of reality and even change their values through a process of reciprocal persuasion. In a system of government by discussion (and that is what a parliament is), analysis has more to do with the process of argumentation, and less to do with formal techniques of problem solving.

Solutions, or the types of policy proposals advanced, are mostly unconnected to policy problems, until there is a need to put them together. Policy entrepreneurs wait for a window of opportunity to open, such as an election or a crisis of some kind. They then match their preferred solution to the problem at hand, and quickly shove their policy solutions through before the window closes. In addition, while evidence is needed, there is little to be gained by just having evidence about a problem, if there is no concrete

solution about what needs to be done to fix it. Further, solutions in the form of policy proposals must be properly worked through and technically feasible. Solutions are more likely to be accepted as policy if they have gone through a process that renders them acceptable, doable and able to be implemented.

Before concluding, a brief return to the idea of 'evidence' as it relates to policy is called for. There will never be evidence that is unimpeachable to everybody involved in the policy process. How can this ever be true when evidence is a tool located in a political struggle? It is difficult to sustain an argument that policy should not be based on evidence. But we should not move from this to regarding theoretical and developmental work as irrelevant or suspect. If a policy problem has been recognised and broadly agreed upon, and a government wants to change policy, should a lack of published evidence always mean that government should do nothing rather than trying something? Any answer to this question inevitably falls back (implicitly or explicitly) onto whether we agree with the underlying values of the policy direction.

While we believe that 'quality' evidence should be used and hope that it will be, the very terms 'quality' and 'evidence' will never go uncontested by those who seek different outcomes.

The knowledge that we bring to bear on policy problems is framed in particular ways, and so will only be considered if it arrives at the core of the network of influence, is used persuasively, and is aligned with solutions that fit the (perceived) problem.

Judgements about policy that occur in democratic societies are necessarily subjected to the stresses and strains of competing values and interests. Policy is a set of shifting, diverse and contradictory responses to problems which rests on people and their values. To argue for comprehensive rationality in policy-making is to miss the point of politics in democratic societies. Policy making based on rationality is a kind of technocratic wish, located in a political world. Little wonder then that there is often such a disjunction between what evidence promises and what politics allows.

Conclusion

As these countervailing viewpoints demonstrate, the focus of evidence-based policy might be either a search for the best possible data on which to make sound policy decisions, or the use of whatever data is available in support of a particular policy argument. Neither view is complete in helping those who need to understand how to negotiate this contested world. But together they shed light on how policy makers need to keep both evidence and the political context firmly in mind as they perform their work. The balancing act that is required is one that searches for the best evidence, using sound evaluation criteria, while not losing sight of the requirement to focus on how the policy process works. It matters both that strong evidence is used, and that it is clear that this happens against a background of a particular problem frame, and will only be used successfully if the argument can be won by those who have a workable solution and the power to effect change.

Melbourne School of Government

The Melbourne School of Government (MSoG) research agenda addresses these kinds of governance and policy dilemmas and MSoG provides training for people who must deal with these in their work.

Research@MSoG aims to provide excellent scholarship which has an impact on governance and public policy. This research underpins our ability to improve the capacity of policy makers to make sound decisions, design and deliver effective policies and programs, and build robust institutions in Australia, the region and beyond.

MSoG's research agenda is informed by global and regional developments, in particular those associated with the 'Asian Century', and how country specific and regional public policy will need to adapt and change. Within this overarching focus, there are four research themes:

- Governance and Performance (designing better governing institutions and improving policy-making and policy performance)
- Knowledge and Expertise in public policy (using different types of evidence and new approaches, and managing competing perspectives)
- Security and Political Engagement (responding to the effects of war, natural disasters, and dispossession, and improving political engagement)
- Governing Markets (improving the instruments that structure relationships between governments, governing institutions, and private actors)

Paul Jensen's contribution is a summarised extract from Jensen, P.H. (2013). "What is Evidence Based Policy?"; Melbourne Institute Policy Brief Series 4/13, University of Melbourne.

Jenny Lewis's contribution is a summarised extract from: Jenny M Lewis (2003) 'Evidence-based policy: A technocratic wish in a political world', in V. Lin and B. Gibson (eds) *Evidence based health policy. Problems and possibilities*, Melbourne: Oxford University Press.

Melbourne School of Government

Research collaboration

Leanne McDonald, Research Development Manager
Phone: +613 9035 7677
Email: l.mcdonald@unimelb.edu.au

Executive education and partnership opportunities

Hilary Blackman, External Relations Manager
Phone: +613 9035 5428
Email: hilary.blackman@unimelb.edu.au

 @Government_UoM

government.unimelb.edu.au



**MELBOURNE
SCHOOL OF
GOVERNMENT**