

**POLICIES FOR IMPROVING INCOME SECURITY:
CHOICE OF PROGRAM DESIGN**

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Types of Program Design

The income security of Canadians is the product of individual efforts (education, training, job choice, work hours, work effort), markets (labour, financial, and housing), families (both those that reared the individual as a child and familial attachments as an adult), community groups, and government policies (including arms-length public entities).

Public policies to improve the income security of Canadians can be structured to operate either directly on the individual (through the provision of income support, income stabilization, or in-kind goods and services) or through any of these other social institutions. Hence, the choice of program design for the purpose of improving income security is complex and multi-dimensional. Moreover, the goals of these policies are also multi-faceted: maintaining a floor under incomes, stabilizing incomes near accustomed levels, increasing individuals' earnings capacity, and augmenting individuals' abilities to enter the labour force or to pursue a business or self-employment endeavour.

Ways of characterizing the choice of program design are varied, and there is not a single agreed view as to the most pertinent design characteristics. However, at a high level of abstraction, the key design choices are typically regarded as including the following: cash vs. in-kind; income maintenance vs. social insurance; universality vs. targeting (an issue that arises with variations for both cash and in-kind benefit programs); consumption -type vs. investment-type benefits (mostly applicable to in-kind programs but also related to asset-based approaches); delivery via the taxation or expenditure system; delivery directly by government or via external agencies such as NGOs or community groups; and focus of program benefits on the individual or the community. In this abbreviated treatment, we do not consider the further complications of the level of government used to operate the program or deliver the benefits, which in Canada is constrained by constitutional factors, evolving traditions, and operational and political considerations.¹

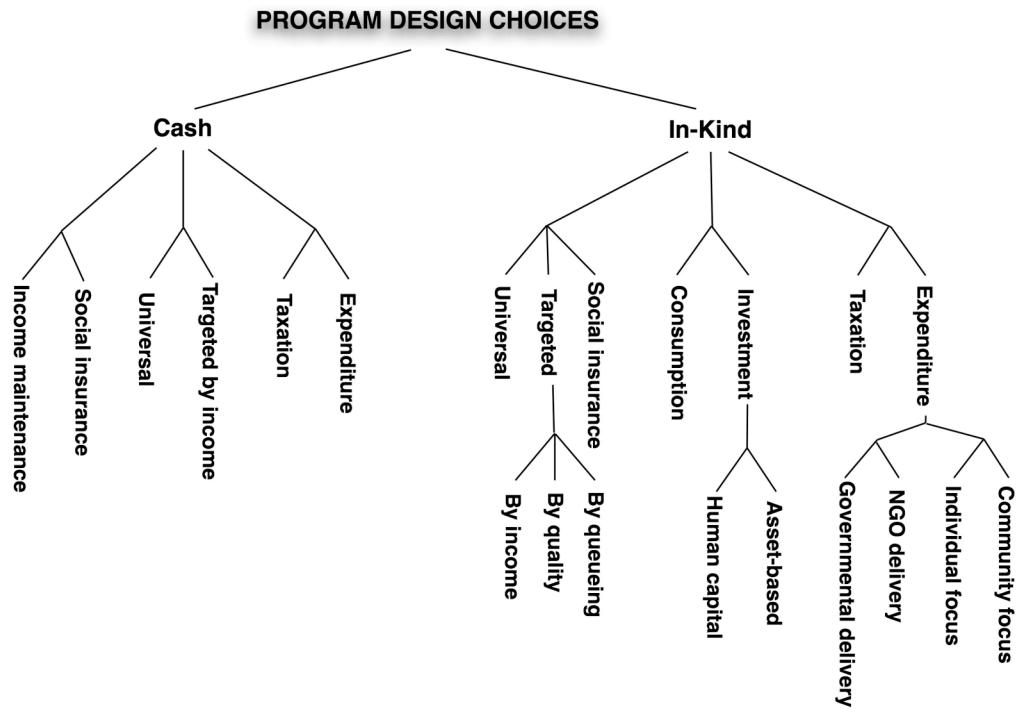
This paper focuses on the following nine choices in designing public programs related to income security objectives:

1. Cash or in-kind benefits
2. Income maintenance vs. social insurance (cash programs)

¹ We also do not explicitly consider the “entitlement” feature of some benefit programs; this term refers to the nature of the budgetary commitment (the government commits to funding benefits for all claimants who meet the statutory qualifications) rather than a structural program feature. However, some benefit programs may be more “entitlement” oriented in the sense that claimants have a legal right to benefits if they meet legally specified eligibility requirements, as against programs where entitlement to benefits involves a greater degree of administrative discretion.

3. Universal vs. targeted benefits (cash programs)
4. Universal vs. targeted benefits (in-kind programs)
5. Consumption vs. investment (in-kind programs)
6. Human capital vs. asset-based approaches
7. Taxation or expenditure delivery
8. Governmental or NGO delivery (in-kind programs)
9. Individual or community focus (in-kind programs)

Clearly, several of these choices can arise jointly in the design of a program to meet particular objectives. The diagram below summarizes the design choices and shows how they relate to each other. Choices shown on a given line of the diagram can be engaged simultaneously, and some of the choices are not relevant once other design choices have been made. For example, if a program of in-kind benefits is delivered through the taxation system, then the choices between governmental and NGO delivery and between individual and community focus do not arise; almost all tax-based benefits are delivered via government with an individual focus. Similarly, cash-type benefits are not typically distributed via NGOs nor through communities.



To illustrate these points, we take three concrete programs and describe the choices entailed in their design:

- Shelter subsidies for low-income seniors: in-kind benefits, targeted by income (and age), consumption, expenditure delivery, government delivery, and individual focus.
- Public health care: in-kind benefits, universal (but an element of targeting via queuing and social insurance aspect in BC and Alberta with premiums for coverage), mix of consumption and investment (human capital type), expenditure delivery, mostly government delivery, and individual focus.
- GST credits: cash benefits, income maintenance, targeted by income, and taxation delivery (the issue of community vs. individual focus does not arise because cash benefit programs are innately focused on the individual beneficiary).

Some initial clarification is useful with respect to the cash vs. in-kind distinction for policy design. A program will be regarded as being of the “cash” type only if its benefits are provided as a monetary transfer *and* they are not tied to any particular consumption expenditure or investment activity; that is, the beneficiary is free to spend the funds as she or he sees fit without any impact on the benefit level. Many “in-kind” benefit programs are structured as subsidies (either direct cash or via the tax system) for the individual to consume more of a particular good (e.g. housing subsidies) or to invest in a particular way (e.g. educational or training subsidies or tax credits). However, because their monetary payments are tied to particular types of consumption or investment—which could alternatively be supplied by a public agency—such programs will be regarded as in-kind benefits. Nevertheless, the benefits of many programs are conditioned on the level of earnings, and hence the activity of market work, but they will still be regarded as cash-type programs so long as the benefit is paid as a monetary amount that is not further conditioned on how those funds are spent. Such programs fall under the income-targeted sub-classification of cash benefit programs.

Criteria for Assessing Design Types

The criteria needed to assess the various program design types are similarly multi-faceted. At the root of these criteria are means to assess the extent to which a program type (acting either alone or in consort with other program types) succeeds in achieving its income security goal (whether it be ensuring an income floor, maintaining an accustomed income level, or raising earnings capacity or employability). Probing a bit more deeply, this effectiveness needs to be gauged in terms of its durability; do program benefits need to be supplied on a longer-term or even indefinite basis to achieve the result, or is the individual restored to or raised to the target level of income security after a limited time on program benefits? Hence, this criterion also ties into issues of cost effectiveness of the program and its budgetary cost. From a broader economic perspective, the criteria need to include the *net* gains to income security after considering any displacement of gains to others (either other beneficiaries or those who finance the program) and the overall efficiency gains or costs of the program to society as a whole (which hinges the on distortion of or enhancement of incentives). A criterion related to effectiveness in achieving the income security goal is whether a program’s provisions are transparent to potential beneficiaries; if they are not aware of how to access the benefits, they cannot take appropriate actions or respond to intended incentives (see Chan and Stevens 2003).

In addition to the income security and economic criteria, the program types also need to be assessed for their achievement of a variety of socially valued outcomes. First, there are incentives for marriage or common-law union, family cohesion, and healthy family environments for nurturing children; these are valued both of themselves and also for their investment in the next generation and its income security. Second, society may also care about social inclusion—the extent to which all citizens are able to participate in the full range of social and political institutions—which can further serve as a buffer against individual shocks adverse to income security. One aspect of this criterion is whether programs minimize stigma and are easily accessible in their structure and administration. A third issue is the time horizon used for assessing the design of programs aimed at income security: is society looking for relatively fast payoffs or is it willing to finance programs that have much longer gestation periods but more deeply rooted and permanent payoffs? Finally, there is the issue of political support and durability: do some program design types command wider public support, such that they are more likely to be implemented and sustained for the long haul?

Also worthy of note is whether a program design type or strategy reinforces the non-governmental institutions of society that play key roles in income security, or conversely whether it tends to weaken those institutions (whether quickly or over long periods of time). This issue has attracted the interest of sociologists and political scientists as well as economists. For example, do some types of programs tend to undermine the role of the family, the strength of marriages, the commitment of partners to each other and to the well-being and support of their children, neighbourly support, community institutions such as church and NGOs, and individual initiative and other personality attributes that are essential to long-run economic security?

Relationship to Life Course Approach

This analysis of the choice of program design is related to the life course approach in important ways. It needs to account for the multi-dimensioned resources that individuals need for their income security: financial capital, human capital, social capital, specific goods and services, and information to support their decision making.² These resources need to be viewed as both flows and cumulative stocks, with adequate resources of all kinds playing an important role in individuals' ability to buffer the various shocks that they experience over the life course (personal, health, family, and market events). Programs need to be designed to cover the contingencies and developments over a “normal” lifecycle (e.g. child development, education, training or advanced education, early adulthood, labour force entry, family formation, parenthood, accumulation of lifetime savings, housing, retirement, issues of health and dependency with advanced age) as well as the unique trajectories that individuals experience over their lifetimes (e.g.

² One feels tempted to add another element to the standard life course list of “capitals”—namely, personal capital. Personal capital can be construed as the amalgam of attributes—such as perseverance, initiative, judgment, self-esteem, aspiration level, and delayed gratification—that are essential to individuals' achieving their own economic security. Personal capital may be partially inherited but is also influenced by family, neighbourhood, and cultural environment as well as life experiences including the impacts of program incentives.

marital dissolution, disability or ill health, job loss or skill obsolescence, adult children or parents needing support or personal care). The life course approach to understanding social policy itself dictates a mix of program types—for example, not solely cash benefit programs and not solely in-kind benefit programs, but an appropriate mix of both.

The Design Choices

For each of the design choices, we begin with a general description of the design issue, followed by a discussion of its comparative strengths and weaknesses, at both a general level and in relation to the life course approach. Next we provide observations about how the design choice relates to the life course and lifetime accumulation of resources. We then briefly consider how the program design choice affects groups having special interest for income security policy: different income groups, recent immigrants, Aboriginals, the working poor, single parents, disabled persons, and the elderly. It bears emphasis in the life course approach that some of these groups contain individuals who are transiting and not permanently in that group. For example, recent immigrants who become fully integrated into Canadian society and labour market institutions move out of that category; all individuals who survive long enough become elderly; and single parents often had a marital or common-law partner previously or will have one in the future. And many with low incomes are simply early in their rising lifecycle earnings profiles.

Design Choice 1: Cash or In-Kind Benefits

Choice 1: description

The most fundamental program design choice for income security policy is whether benefits should be delivered as cash or in-kind. Cash programs include direct payment of cash (typically via cheque or direct deposit) and tax-based transfers such as tax credits (both refundable and non-refundable). Such cash benefit programs can be universal but are more commonly targeted based on income or other traits (see discussion of this issue under Design Choice 3 below). In-kind programs include direct public supply of particular goods (such as food or housing) and services (such as education, training, health care, counseling), as well as the use of intermediary agencies for delivery and subsidization via cash payments or tax provisions. Cash benefit programs are most suitable for the income security goals of providing an income floor (henceforth IF) or facilitating income stabilization (IS), although they may be used in conjunction with in-kind training services for the purpose of earnings/employability augmentation (EA). In contrast, in-kind benefit programs are most commonly used for EA and for helping to provide an IF in terms of specific goods or services needed for basic living standards.

Choice 1: strengths and weaknesses

Strengths of cash benefit programs: Cash benefits are deemed to be more economically efficient than providing benefits in-kind, because the beneficiary can choose how those resources are spent to maximize the household's own views of its well-being. Since individual circumstances and preferences vary widely, a given amount of cash can "maximize utility" (in economic jargon) to a greater extent than any arbitrarily chosen bundle of goods and services costing the same amount. Providing benefits in cash form also enhances the beneficiary's sense of autonomy, responsibility, self-esteem, and social inclusion. Cash payment for ordinary market goods and services is the norm for citizens

in a market economy, so that beneficiaries who can tender cash at the retailer (rather than, for example, food stamps) are able to participate in a similar manner.

Weaknesses of cash benefit programs: One issue arising with the provision of public benefits in cash form is that beneficiaries may misspend those funds, at least as judged from the standpoint of legislative or taxpayer intentions. This situation includes the commonly cited examples of spending on tobacco, alcohol, and illicit drugs but also the spending of benefits in ways that do not serve the consumption or developmental needs of dependent children.³ Cash benefit programs may also fail to reap some of the positive returns cited next for the comparative strengths of in-kind benefit programs.

Strengths of in-kind benefit programs: Providing benefits in-kind can be preferable to providing cash for several purposes: 1) to ensure that beneficiaries consume particular goods and services that they might not otherwise purchase in sufficient quantities or qualities to meet the preferences of policy makers; 2) to induce greater usage of particular goods or services that have a larger human capital investment component and lesser consumption component than would otherwise be chosen; 3) to induce consumption of particular goods and services that have positive externalities to other members of society; 4) to provide an economically efficient form of “self-selection” by beneficiaries through the types of goods and services that are publicly supplied (more discussion of this under Choice 4 below); and 5) to enhance support of the voting public for programs of income security and redistribution. In addition, for some goods and services, a governmental or officially designated private supplier can operate at lower cost than multiple market-oriented suppliers on account of scale economies and the avoidance of marketing costs.

Weaknesses of in-kind benefit programs: A common criticism of in-kind benefit programs is that they impose the public’s or policy makers’ preferences on how beneficiaries should spend the transferred resources. This is a kind of paternalism that may undermine the self-respect, autonomy, and responsibility of beneficiaries. From a purely economic perspective, providing a pre-specified bundle of goods and services rather than cash (general purchasing power) is economically inefficient, because the tastes and needs of individual beneficiaries differ such that they would purchase a bundle that they value more highly if given the equivalent cash. Budgetary constraints applied to in-kind programs can lead to unintended targeting of benefits via queuing with resultant distributional inequities.

Choice 1: life course asset accumulation

Human capital: In-kind benefits are far better suited to induce the accumulation of human capital, such as through direct provision of or tax incentives for education and training.

Social capital: Both program types can contribute to the accumulation of social capital by avoiding destitution and social exclusion, through the provision of either in-kind benefits or of cash needed to preserve an income floor. Financial capital: In-kind benefits such as education or training can raise beneficiaries’ earnings capacity so that they can save more

³ Empirical research finds that working poor families on average are less likely to consume alcohol or tobacco products than non-poor families (Fleury et al. 2005), although there is an observed correlation between the timing of welfare payments to non-working poor individuals and the consumption of illegal drugs (Riddell 2004).

for the long run; with incremental cash benefits, only a modest portion will be saved and for some beneficiaries at the lowest incomes nothing may be saved. Specific goods and services: Cash benefits can induce recipients to change their spending patterns across various goods and services, but in-kind benefits can alter total consumption of particular goods and services, such as housing, health care, or education. Information: The relative effects of the two program types on the acquisition of information resources hinges on their associated delivery mechanisms, but in-kind benefits may have the edge.

Choice 1: specific groups

Income groups: At the lowest incomes, the IF and EA goals are paramount, but this can include major roles for both cash and in-kind benefits (especially of the human-capital investment variety); as one moves up the income scale, the IF and EA goals become successively less important and the IS goals gains prominence, which tilts toward cash programs of the social-insurance variety, but there remains a role for in-kind benefits of kinds that have highly variable needs within an income class (such as health care).

Recent immigrants: Like others with low incomes, the IF and EA goals are paramount; cash and in-kind benefits are both important, especially services such as settlement assistance, housing, language, and job placement. Aborigines: Both cash and in-kind benefit programs are important, especially in-kind goods and services that are not readily supplied by the market in more remote reserve settings (such as housing and health care).

Working poor: Like with others at low incomes, cash and in-kind benefits are both important to meet the IF and EA goals; IS plays a secondary but non-trivial role. Single parents: Again, to meet the IF and EA goals, a combination of cash and in-kind benefits is needed; some in-kind services might be targeted specifically at single parents.

Disabled and not employable: The primary goal for persons with disabilities who are unable to work is to provide an IF, which can be set higher than that for unemployed employables; in addition, for persons whose disability is not complete, the EA goal is relevant. These goals require a combination of cash programs and in-kind services of kinds needed to alleviate the restrictions imposed by particular disabilities. Elderly: The goal for the elderly population is mainly associated with an adequate IF, which can be fulfilled by a combination of cash benefits and in-kind services designed to meet the particular barriers (health, mobility) faced by many of the elderly. The EA goal is also relevant to seniors who wish to continue working or to return to work.

Design Choice 2: Income Maintenance vs. Social Insurance (cash programs)

Choice 2: description

For programs with cash benefits (not conditioned on specific spending or activities), a key design choice is whether to provide the benefits as income maintenance or social insurance. (The issue of using a social insurance approach can also arise with in-kind benefit programs and is discussed below under Choice 4.) Income maintenance programs are financed out of general revenues, and their benefits are open to all who qualify in terms of their income, assets, and needs, with the last item typically based on family size or structure and age. Such programs are intended to fulfill the IF objective and aim to redistribute income vertically (that is, across income classes). Their benefits are typically geared inversely to the unit's current income, and if need continues the benefits may be paid indefinitely. Social insurance programs, in contrast, are financed out of specially

earmarked funds collected from workers and/or their employers as premiums or payroll taxes. Each worker accrues entitlement to program benefits through premium payments, and eligibility for, level of, and duration of benefits typically hinges on the amount and period of premiums paid. Since benefits are geared positively to the level of premium payments, and premiums are positively related to “insured” earnings, the benefits received by an individual rise with the accustomed earnings level. Social insurance cash benefit programs engage in horizontal redistribution, which means a transfer of income *within* earnings classes over time across “good” periods of employment and adverse periods of earnings loss through disability, unemployment, or old age, depending on the program’s insured contingency. Thus these programs fill the IS objective. Social insurance benefits may be limited in duration though this is not always the case. Social insurance programs are a form of forced savings, but unlike private insurance they typically do not have refined risk categories with differential premium rates.

Choice 2: strengths and weaknesses

Strengths of income maintenance programs: Providing an assured floor under incomes is the prime objective of income maintenance programs. While the guaranteed benefit levels are often relatively low, they can prevent extreme destitution. No individual or household is excluded from eligibility for benefits, since there is no requirement of having made previous contributions. In addition to the IF objective, income maintenance may also serve the EA function for children in the long run, since without adequate nutrition, shelter, and other basics their development is likely to be adversely affected, with repercussions for their lifetime earnings potential. There may also be external benefits to society via reduced crime and social disorder.

Weaknesses of income maintenance programs: The income-tested nature of benefits for most income maintenance programs (see discussion of Choice 3) exerts work disincentives, as do the higher tax rates needed to finance such programs. Additionally, incentives for savings may be undermined by both income tests and asset tests for benefit eligibility. Problems of compliance (accuracy of reported earnings) and enforcement arise with these programs. They also suffer from issues of long-run dependency and ongoing budgetary costs, since their benefits are not time-limited.

Strengths of social insurance programs: Stabilization of income around the beneficiary’s accustomed earnings level when facing an insured risk is the primary objective of social insurance programs. Because of the linkage of benefits to previous earnings and premium payments, social insurance programs have positive incentives for work and earnings. Compared to general revenue financed social programs, social insurance programs are more economically efficient due to this earnings-benefit linkage. Using the social insurance design for a program may enhance its political support and long-run durability—in part because the self-financing feature makes clear how the individual’s payments generate entitlement to benefits.

Weaknesses of social insurance programs: Many individuals are excluded from the benefits of social insurance programs because they were not in “covered” employment or did not make sufficient premium contributions. Excluded groups include some of the most disadvantaged and vulnerable persons, who have little or no recent labour force attachment. The “cross-subsidies” that arise from the failure to implement refined risk

categories for premium payments may weaken public support for such programs if they appear excessively redistributive toward particular groups, occupations, or regions.

Employers and employees may change their behaviour to maximize the use of social insurance program benefits rather than finding ways to stabilize employment. In addition, social insurance programs typically assess the situation of only the insured individual, so that benefits are not scaled to the needs of the insured's household.

Choice 2: life course asset accumulation

Human capital: The impact of either of these program types on the accumulation of human capital hinges on the associated use of work/training/education requirements and/or the provision of job-related counseling. Social capital: Neither program type has an inherent advantage for the creation of social capital, although it is possible that social insurance programs enhance the broader population's "trust" in the durability of ensured benefits. Financial capital: Income maintenance programs may reduce the need to accumulate private savings to cover periods of temporary low income, and asset tests in income maintenance may exacerbate this disincentive; social insurance programs also have the former effect but their lack of asset tests avoids the latter effect. Specific goods and services: Neither program type has an inherent advantage for inducing the accumulation of specific goods and services, as both provide cash benefits. Information: Either program type may improve the information resources of beneficiaries to the extent that they provide associated counseling or have work or training requirements.

Choice 2: specific groups

Income groups: At lower incomes, income maintenance is clearly more appropriate for providing an IF, whereas social insurance programs are more suited to the needs of middle and higher earners for the purpose of IS. Recent immigrants: To the extent that recent immigrants have low current earnings, the income maintenance program format is more suitable; with little record of domestic work activity, they are highly limited in their eligibility for benefits from most social insurance programs. Aboriginals: For

Aboriginals residing on reserves, income maintenance is most suitable to meeting the IF goal; work on a reserve is often unstable or non-market and not well covered by social insurance programs, thus reducing its suitability for income security purposes. Working poor: Income maintenance is important for the working poor, but it needs to be

supplemented by social insurance cash benefit programs because of their relatively high employment and earnings instability. Single parents: Single parents at low incomes have needs similar those of the working poor more generally; hence, a combination of income maintenance and social insurance formats is needed. However, income maintenance

programs are better able than social insurance programs to tailor benefits to the specific needs of beneficiary families. Disabled: The income security needs of disabled persons are primarily met by income maintenance programs, but there is a role for social insurance programs especially in the case of work-related disabilities (as with workers' compensation programs). Elderly: Both forms of cash benefit programs play an

important role in the income security of seniors: social insurance to assure living standards related to the beneficiary's accustomed level during working years and income maintenance to ensure an adequate IF.

Design Choice 3: Universal vs. Targeted Benefits (cash programs)

Choice 3: description

Another important design characteristic for cash programs is whether their benefits are provided on a universal or targeted basis; here we are concerned with targeting on the basis of income, earnings, assets, or other economic attributes of claimants. A universal cash benefit program pays out benefits irrespective of income or wealth but may be limited in terms of the age, family size or structure, or health/disability characteristics of claimants; moreover, the level of those benefits is unaffected by the income level of beneficiaries. A targeted cash benefit program gears both benefit eligibility and benefit level to the income or other economic attributes of claimants; benefits are inversely related to the economic resources of claimants and are zero above a specified level of resources. However, some universal cash benefits are subject to an income-related clawback imposed separately in the income tax system, and they might be regarded as income-targeted in effect. Both universal and targeted cash programs are primarily concerned with the IF objective, although they also have an element of the IS objective.

Choice 3: strengths and weaknesses

Strengths of universal cash programs: There are appealing aspects of universal cash programs in the economic, operational, and political domains. A universal cash program entails no economic distortions and hence no efficiency costs with respect to the disbursal of benefits, since the lack of an income test means that beneficiaries face no implicit marginal tax rate on their earnings or savings. The operation of such a program is also simplified since there is no need to measure or verify claimants' income or assets. Universal programs also have minimal stigma, since they are fully inclusive, at least with respect to the population groups that they cover. Some believe that universal programs command greater political support than targeted ones, although this point may be more valid with respect to programs providing in-kind benefits than cash.

Weaknesses of universal cash programs: While disbursing funds on a universal basis eliminates the disincentives and inefficiencies that accompany income tests, universal benefit programs have much larger gross budgetary costs. To finance those costs requires higher tax rates on the general working population and the business sector, thus shifting those inefficiencies from beneficiaries to taxpayers. Because any given amount of public funds will be widely dispersed when provided universally, a universal cash benefit program cannot ensure as high a level of income support to those most in need as a targeted program; hence the universal format is less effective in meeting the IF objective. Political support may be weak for universal cash programs, in part because they are relatively costly and also because they are perceived as providing benefits to those with little or no financial need.

Strengths of targeted cash programs: One of the principal reasons for using income-targeting in cash benefit programs is to concentrate available public funds on the most needy part of the population. Targeted programs can much better differentiate the relative needs of different claimant households than universal cash programs, which pay fixed benefit amounts based only on general, non-financial attributes. Targeted cash programs also lend themselves better to linkage with complementary public goods and services, especially those with the EA objective, since the cash benefits have been

restricted to those with the greatest needs. Many observers believe that political support is enhanced by restricting public cash benefits to the most needy rather than dispersing the funds widely over the population (“why pay for the banker’s kids?”).

Weaknesses of targeted cash programs: The income tests and/or asset tests needed to implement targeted cash programs, often with relatively high marginal tax-back rates, create disincentives to work⁴ and savings and hence economic inefficiencies. They can also create incentives for marital dissolution and non-support by absent parents. The income tests create further problems and costs related to compliance, evasion, and enforcement based on the need to collect accurate and timely information about claimants’ income and financial resources. Targeted programs can carry stigma related to the fact that they are available only to the most needy, which (along with the benefit application process) can lead to incomplete take-up by eligible persons.

Choice 3: life course asset accumulation

Human capital: Universal cash benefit programs have no impact on human capital accumulation, while targeted cash programs may give low-income recipients resources that they need to pursue education or training. Social capital: Universal programs may be more conducive to the accumulation of social capital than target programs, because the former may improve feelings of social inclusion. Financial capital: Both program types may help individuals to preserve their financial assets during temporary earnings declines, but the asset tests found in some targeted cash benefit programs may discourage the accumulation of savings. Specific goods and services: Neither program type has much effect on the accumulation of specific goods and services, since beneficiaries can spend cash as they choose. Information: It’s not clear that these two program types differ significantly, but some targeted programs may require beneficiaries to develop greater finesse in the process of claiming benefits.

Choice 3: specific groups

Income groups: Targeted cash benefits are most effective for people at the lowest incomes, because the benefit levels are considerably higher than would be provided with a universal payment format; hence, the IF objective is maximized. Universal cash benefits are most appropriate in compensating for a specific situation that applies across the income distribution—such as family size (National Child Benefits) or age (Old Age Security). However, even the latter two programs are subject to benefit phase-outs with income or income-related tax clawbacks, so that the net effect is to make them income-targeted. Recent immigrants: Based on the low initial income situation of many recent immigrants, targeted benefit programs are most appropriate. Aboriginals: Based on the low incomes of many reserve-resident Aboriginals (and urban Aboriginals to a lesser extent), targeted cash benefits are again most appropriate. Working poor: For the

⁴ A program’s labour market incentive effects may differ between hours worked and labour force participation; for example, the American EITC program affected the choice of whether to work much more than the choice of how many hours to work (Essa and Hoynes 2005). Moreover, targeted cash programs can be structured so as to achieve greater work incentives (see Kesselman and Riddell 1995); this poses an additional choice for the design of cash benefit programs (one that is not pursued further in the present paper).

working poor, targeted cash benefits are helpful if they are extended sufficiently far up the income scale. Universal cash benefits are also useful for this group in being provided on a regular basis with no lag between earnings loss and benefit payment, unlike income-tested programs. Single parents: Targeted cash benefits are most effective in addressing the needs of lower income single parents, though universal payments based on number and age of children may serve a supplementary role. Disabled: Targeted cash benefits are clearly most effective for the major income security needs of persons with disabilities; some universal cash benefits may be appropriate to cover the additional expenses incurred by all persons with disabilities regardless of income level (such as the Disability Tax Credit). Elderly: Targeted cash benefits and universal cash benefits conditioned on age can jointly serve the income security needs of elderly people.

Design Choice 4: Universal vs. Targeted Benefits (in-kind programs)

Choice 4: description

The universal versus targeted distinction also applies to in-kind benefit programs but with some wrinkles beyond those described for cash benefit programs. First, in-kind benefits typically are either provided or denied to a claimant; they are not usually provided at different levels based on the claimant's income. Hence, targeting of in-kind programs is an all-or-nothing decision on benefit eligibility. However, one way to target in-kind benefits based on income is to make the benefit available to all while applying user charges that range from zero for the most needy claimants to the full cost of supply at higher incomes. Yet another way to target in-kind benefit programs is to make the good or service available to all the population (either without charge or at a uniform subsidized price) but to supply it at a quality level that is sufficiently low as to induce the most needy to "self-select" into the program and to deter higher-income people from choosing to participate. Still another variant of targeting via self-selection is to have queues or waiting times, such that only those individuals for whom the value of time is sufficiently low will use the publicly supplied good or service vis-à-vis purchasing a substitute privately. Unlike cash benefits, in-kind benefits can be supplied on a universal basis but only within selected locales or neighbourhoods; this affords a unique kind of targeting (but not based on income) for a universal in-kind benefit program. Finally, access to in-kind benefits can use the social insurance format, where premium payments are required but are typically structured as flat sums (such as BC's and Alberta's medicare premiums).

Choice 4: strengths and weaknesses

Strengths of universal in-kind programs: By supplying goods or services to the public (or a subgroup defined on personal or family attributes or locality) on a universal basis, governments can sometimes achieve scale economies and avoid the marketing and distribution costs associated with private supply. Universality of supply also means that the government does not incur any costs of monitoring use, assessing claimants, or collecting user charges. See also Choice 3 for other strengths.

Weaknesses of universal in-kind programs: Similar to universal cash benefit programs, universal in-kind benefit programs can suffer from high cost; the provision of goods and services on a universal basis without charge can also lead to economically inefficient

over-usage and wastage of real resources by beneficiaries. See also Choice 3 for other weaknesses.

Strengths of targeted in-kind programs: The use of self-targeting devices, such as the provision of lower quality goods and services, can avoid the disincentives and efficiency costs associated with targeting via income tests. See also Choice 3 for other strengths.

Weaknesses of targeted in-kind programs: The use of a self-targeting device such as lower quality goods and services entails economic inefficiencies in that the beneficiaries might wish to purchase a higher quality item even in lesser quantity if they were given the equivalent cash amount. The use of queuing for self-targeting also entails the inefficiencies of wasted time while waiting. See also Choice 3 for other weaknesses.

Choice 4: life course asset accumulation

Human capital: Either of these two program types can be effective in stimulating the acquisition of human capital if the in kind-benefit is training, education, health care or other services with a human capital component. Social capital: Universal programs may generate greater social capital among participants to the extent that they convey a sense of social inclusion. Financial capital: By providing a larger cushion against the shock of temporary income declines, targeted programs likely exert a greater disincentive for the accumulation of private savings. Specific goods and services: Either program type can induce greater consumption of specific goods and services depending on the in-kind benefit concerned, but targeted forms are more likely to bring larger changes in behaviour. Information: There is no inherent difference between these two program types in their inducement to accumulation of information resources; much depends on the specifics of the program content and operation.

Choice 4: specific groups

Income groups: For lower income groups, targeting of in-kind benefits may yield higher benefit levels. Clearly, the benefits need to be provided on a more universal basis if they are to improve the income security of those at higher incomes as well; that extension of the benefits may reduce stigma, monitoring costs, and operational costs in ways that also redound to lower income beneficiaries. Recent immigrants: Recent immigrants at lower incomes similarly are likely to benefit the most if in-kind services are targeted. The goods and services can also be supplied on a universal basis (non-income-tested) but restricted to neighbourhoods with a high concentration of recent immigrants. Self-selection can be used for dispensing many types of services used by recent immigrants.

Aboriginals: Similar to the situation for recent immigrants, targeting of in-kind benefits appears most effective for Aboriginal people, except that the concentration of many on geographically isolated reserves means that universal supply in those areas can be an effective program design. Working poor: Similar to the situation for Aboriginals and recent immigrants, a combination of income-targeting, geographical targeting, and self-selection can be used for dispensing in-kind benefits for the working poor. Single parents: Income-targeting combined with self-targeting of in-kind benefits can meet many of the special needs of single parents. Disabled: Similarly, disabled people are best served by a combination of income-targeted and self-targeting of in-kind benefits, with many of the special services and goods uniquely used by those with disabilities. Elderly:

In-kind benefits for the elderly are best structured as either universal supply conditioned

on old age or self-targeted benefits of kinds that are mostly used by the elderly; income-targeting of benefits may play a supplementary role.

Design Choice 5: Consumption vs. Investment (in-kind programs)

Choice 5: description

The goods or services provided by an in-kind benefit program can augment either the consumption or investment needs of beneficiaries and sometimes both jointly. For cash benefit programs, the fungible nature of money means that beneficiaries have full discretion over its expenditure and thus can choose their desired mix of consumption and investment. That point in part explains the preference of policy for some purposes to use in-kind benefits, which can be directed toward consumption-type or investment-type goods or services. Consumption-type means items that principally raise the beneficiary's current level of well-being with little impact on their future well-being, while investment-type means that the item's main benefit arises in the beneficiary's future well-being. Consumption-oriented in-kind benefit programs typically are motivated by the desire to have beneficiaries consume more of *specific* types of goods and services (or different types or quality of items) than they would otherwise purchase if given equivalent cash transfers. Hence, consumption-oriented programs may be related to the policy goals of IF and/or IS. Investment-oriented in-kind benefit programs are motivated by the desire to raise the human capital or social capital of beneficiaries, so their policy goal is mainly to raise future earnings capacity or employability (EA). Common examples of investment-type benefits are training and education, while health care and housing contain a mixture of consumption and investment in that they may raise both current and future well-being. Programs that improve the neighbourhood environment, such as crime reduction, also have an investment component in that they may enhance child development.

Choice 5: strengths and weaknesses

Strengths of consumption-oriented in-kind programs: The principal strength of consumption-oriented programs is their ability to divert the beneficiary's economic resources toward using particular goods and services that are deemed by voters or policy makers to be important for well-being, dignity, or physical or mental health. Many items of current consumption for families with children aim to enhance child development (physical, mental, social) in ways that have future payoffs in terms of socialization, family stability, and work performance.

Weaknesses of consumption-oriented in-kind programs: To the extent that consumption-oriented programs mainly sustain the beneficiary's living standard but do not augment earnings capacity or employability, they have ongoing budgetary costs. That may weaken the long-run political support for this type of program. They also don't directly influence the beneficiary's behaviour so as to become more self-sufficient eventually.

Strengths of investment-oriented in-kind programs: The principal strength of investment-oriented programs is their ability to raise the future earnings capacity and employability of beneficiaries. Supplemental advantages include raising the self-esteem, autonomy, and independence of beneficiaries who become economically self-sufficient. The increase in human and/or social capital from investment-type programs may also bring dynamic changes to beneficiaries, such as increased levels of aspiration and risk

tolerance. If the rate of return on a program of this kind is sufficiently high, long-run budgetary costs can be reduced through diminished future demands for benefits from IF and IS programs. There is relatively high political support for investment-oriented programs because they accord with the societal work ethic.

Weaknesses of investment-oriented in-kind programs: The administrative and overhead costs of operating investment-oriented programs is typically high, on account of the need for large staffing and physical facilities. The returns from such programs are often slow in being realized, and the rate of return on the public investment does not always justify the resources on a pure cost-benefit basis. Hence, the political sustainability of such programs is sometimes weakened. When the investments are targeted at children, the period to realize payoffs is extended—as much as 20 years or longer.

Choice 5: life course asset accumulation

Human capital: Clearly investment-oriented programs will be more effective in inducing beneficiaries to increase their stocks of human capital, so long as the benefits of the programs include a human capital component. Social capital: Investment-oriented programs will likely induce greater accumulation of social capital to the extent that individuals with higher levels of earnings and occupational status are more active members of a wide spectrum of community and political institutions. Financial capital: Investment-oriented programs will be more conducive to private asset accumulation to the extent that they raise earnings capacity and therefore the market earnings of beneficiaries. Specific goods and services: Either program type may be more effective in stimulating the acquisition of particular types of goods and services, depending on the commodities targeted—whether they are consumption goods (such as food) or investment goods (such as housing). Information: It is not clear that either program type has an inherent advantage in stimulating the acquisition of information resources.

Choice 5: specific groups

Income groups: For individuals at the lowest incomes, income security programs need to make balanced provision of both consumption-type and investment-type benefits, since they have joint objectives of IF and EA (and secondarily IS). At middle and higher incomes the goals shift toward IS and, to a lesser extent, EA, so that consumption-type benefits take some priority over investment-type benefits. Recent immigrants,

Aborigines, and Working poor: These three groups share the needs noted above for individuals at the lowest incomes, which implies balanced provision of consumption-type and investment-type in-kind benefits. Single parents: The needs of lower-income single parents are similar to others at lower incomes, except that many items that might

regarded as pure consumption from the parents' standpoint also assume an investment characteristic with regard to the development and future earning capacity of children in the households. Disabled: For persons with permanent and severe disabilities, the emphasis of in-kind benefit programs is naturally on consumption-type benefits. For those whose disability is partial or temporary, the EA goal also comes into play and is facilitated by investment-type benefits. Elderly: In-kind benefits for the elderly should be overwhelming of the consumption type, since their future earnings capacity or employability has lesser priority. However, some types of in-kind benefits such as

preventive health programs and standard health care contain an investment element and are important for the elderly.

Design Choice 6: Human Capital vs. Asset-Based Approaches

Choice 6: description

Investment-oriented in-kind benefit programs can operate by facilitating the beneficiary's accumulation of either human capital or financial/tangible capital. Human capital includes skills and experience that raise the individual's earnings capacity and/or employability, whether acquired through formal education, institutional job training, on-the-job training, or other means. So-called asset-based approaches involve raising the individual's stock of financial and tangible capital, the latter being durable goods such as housing, vehicles and other consumer durables, and work tools. Both approaches share the EA objective of income security. However, the asset-based approach also has a substantial IS component, since the possession of a stock of financial assets can tide the individual or household over temporary shocks to income; ownership of housing and consumer durables such as a washing machine also reduces the need for a steady flow of money income by eliminating rental and laundromat expenses, thus augmenting the IS goal. Additionally, it is thought that programs inducing the accumulation of assets might alter the beneficiary's time horizon and aspirations that carry further diffuse benefits in terms of resilience and buffering of life shocks.

Choice 6: strengths and weaknesses

Strengths of human-capital approaches: The principal source of income for almost all individuals during their adult years is labour earnings, so that programs to increase earnings capacity and employability is key to any income security policy. In addition to the higher earnings, higher levels of human capital also convey to the individual greater adaptability to changing labour market conditions and opportunities, such as skill obsolescence and emerging occupations. Investment in the education of parents may also convey indirect but significant benefits to their children. Persons with higher human capital and earnings typically enjoy greater autonomy and self-respect and are more civically engaged. (As noted in Choice 5, investment-oriented programs may also be more attractive from a budgetary perspective if their rate of return is sufficiently high.)

Weaknesses of human-capital approaches: Many training programs have been found to have a poor payoff relative to the alternative value of those funds for society. There are also issues of appropriate targeting of training opportunities and of whether the returns that are observed result from the training or the self-selection of more able and better motivated individuals into the programs. Innate abilities are unequally distributed, so that the egalitarian potential of training and education programs is not unbounded. If the training or education program also offers income support to cover living expenses, some beneficiaries are attracted for that reason and would have done better on their own. Some of the public funds devoted to training and education displaces outlays that individuals would have made for those purposes on their own in the absence of the program.

Strengths of asset-based approaches: Individuals with greater financial assets are able to ride out income shocks without undertaking actions that may be costly in the longer run (such as borrowing at exorbitant interest rates or taking temporary work that is damaging

to their prospects of getting a better job, hazardous to themselves, or adverse to their children's development). They are also better situated to seize opportunities, such as a new better-paying job that entails buying some tools or a car for transit or moving to a new location. Individuals with little or no financial assets are typically more risk-averse, since they have no fallback if trying out a new job or training opportunity does not work out. The process of saving to accumulate assets can also alter the individual's time horizon, risk attitudes, and risk management skills. The programs that have been used to augment asset-building (in the UK and on a more experimental basis in Canada and the US) can combine financial or tax incentives for savings with financial counseling and education services.

Weaknesses of asset-based approaches: Most members of the target population for asset-based approaches have relatively limited potential for saving on account of low current incomes. Hence, the savings incentive (such as the matching ratio of public with private funds) may have to be quite rich, with associated high budgetary costs relative to the induced individual savings. Asset building programs do not replace the need for income support programs (particularly of the IF variety) nor the need to augment the human capital of low-skilled workers. Inducing private accumulation of assets such as housing equity may be more costly and less effective than direct public provision of housing or subsidies for housing. Moreover, asset-building approaches need to be supplemented by policies to support the productive use of those resources, such as advising and loans for the startup of micro-enterprises. Social-insurance type schemes of forced savings (such as the Quebec/Canada Pension Plan) may be a more effective way to increase asset accumulation on a mass basis than more voluntary individual savings incentives.

Choice 6: life course asset accumulation

Human capital: Clearly, programs that target human capital will have the greatest impact on beneficiaries' accumulation of human capital. Social capital: It is likely that programs of the human capital variety will augment social capital to a greater extent than those with asset-based approaches; the former lead to increased earnings and higher occupational status with attendant increases in social, civic, and political participation.

Financial capital: Clearly, asset-based approaches will act most directly on the accumulation of financial resources and thus have an advantage over human-capital approaches, though the latter may in the long run be more effective in raising incomes and therefore private savings. Specific goods and services: Asset-based approaches that are targeted on specific types of consumer investment goods, such as housing, are most effective at changing the beneficiaries' resources in terms of specific goods and services.

Information: Either program type can augment beneficiaries' information resources if they contain an education or counseling component.

Choice 6: specific groups

Income groups: Both approaches are relevant for individuals at lower incomes, but human-capital approaches would likely take priority on account of their considerably greater potential for raising the lifetime incomes of individuals. At middle and higher income levels, asset-based approaches that raise lifetime savings towards retirement needs are more important. Recent immigrants, Aboriginals, and Working poor: These three groups share the general needs of individuals at lower incomes, which places

primary emphasis on human-capital approaches and a secondary (and at this point not well established) use of asset-based approaches. Single parents: The situation of lower-income single parents is similar to that of others at lower incomes, except that stimulating the acquisition of housing assets can increase the stability of housing arrangements, which can be important for the development of children in those households. Disabled: For those with severe and permanent disabilities, the human-capital approach has little relevance; asset-based approaches also have little value for those at the lowest incomes fully dependent on cash transfer programs. For those with partial or temporary disabilities, human-capital-based programs are most effective for income security goals. Elderly: Human-capital-based programs are irrelevant for seniors who are permanently retired. Asset-based approaches are relevant principally during their working years while they are accumulating savings to finance their retirement. However, some aspects of policies to allow seniors to continue living in their owned homes can be useful (such as public insurance of reverse mortgages and property tax deferrals).

Design Choice 7: Taxation or Expenditure Delivery

Choice 7: description

The two principal means by which income security policy can be delivered are through direct expenditure programs and the tax system.⁵ “Direct” delivery via expenditures includes both cash benefit and in-kind benefit programs of governmental departments, their arms-length agencies, and community groups or NGOs supported fully or in part by public funds. Taxation delivery includes the use of tax credits (refundable or nonrefundable), tax deductions and exemptions, and tax deferrals. Tax provisions for income security can combine several of the earlier described program types: they can be “cash” or “in-kind” (by linking the tax benefit to the individual’s outlay or activity) and universal or targeted. The tax system can also be used to income-test the benefits delivered through direct expenditures (two examples being the income-based clawbacks of Old Age Security and Employment Insurance benefits from higher-income taxpayers).

Choice 7: strengths and weaknesses

Strengths of taxation delivery: Using the tax system to deliver income security benefits has the natural attraction of a large, well-organized, pre-existing administrative entity as well as the fact that almost all Canadians file an income tax return each year. Even those with incomes so low that they have no income tax liability file in order to claim GST credits and other benefits (and to obtain refunds of taxes withheld at source). The filing of a return entails disclosing all sources of income, so that using tax delivery can easily implement income-targeted benefits. Adding another income security benefit with tax delivery usually requires the addition of just a couple of lines to the tax return. Moreover, there is little or no stigma attached to claiming tax-delivered benefits, even if they are highly income-targeted, since almost everyone files a tax return. Entitlement to tax-delivered benefits has a strong legalistic basis as with the rest of the tax code—and unlike some direct-delivered benefit programs.

⁵ Regulatory policies can also be used, mainly in the labour market but also in consumer goods markets such as housing and daycare; these policies lie beyond the scope of the current paper.

Weaknesses of taxation delivery: The tax delivery of income security benefits has little flexibility for individual situations and no administrative discretion in whether (or how much) benefits will be paid. This lack of flexibility may work to the disadvantage of some applicants facing unusual circumstances. These “tax expenditure” provisions are set in the taxation code and are not subject to annual review, unlike most direct expenditure programs. Their cost is not determined by budgetary allocations but is driven by the number of qualifying claimants, since they have a legally firm claim to the benefits. The cost of new tax expenditure provisions may be hard to predict, since the take-up rates and behavioural responses are uncertain (though this issue also arises to some degree with direct delivery). The tax system can apply only an annual measure of income, and with a considerable lag, so that income-testing of benefits based on shorter income fluctuations experienced by individuals is not feasible. Hence, benefits are not responsive in a timely manner to changing needs. Additionally, tax delivery may reduce the transparency of benefits relative to direct delivery; tax delivery may also lead to unintended consequences because of complex interactions with other tax provisions.

Strengths of expenditure delivery: Delivering income security benefits through the direct expenditure system allows for greater administrative discretion, since entitlements are less legalistic; and even where they have a legal basis, they are often so complex and obscure that program administrators can exercise considerable discretion. Direct delivery also facilitates combining cash benefits with appropriate and supportive in-kind services to better meet the needs of individual beneficiaries. In addition, relative to tax delivery, direct delivery can impose more refined and more timely income tests that can make benefit levels much more responsive to individual income variations within the year than the tax delivery approach. Direct expenditure programs are subject to greater legislative oversight of their budgetary cost, through annual allocations, and more frequent review of their operation and effectiveness.

Weaknesses of expenditure delivery: Direct delivery of benefits requires establishing a new, separate administrative entity for each new benefit provision or else a way to combine its delivery with the functions of an existing administrative entity. The administrative overhead costs are typically higher than with tax expenditures. There may be greater need to publicize the availability of the benefit when it is provided by direct delivery than tax delivery, and the take-up rate may be lower for direct delivery because potential claimants need to make separate application rather than add a couple of items to a tax return that they would file in any event. Direct delivery may also entail greater stigma than tax delivery, because claimants must self-identify themselves as eligible for benefits provided only for a needy population.

Choice 7: life course asset accumulation

Human capital: Neither delivery method for program benefits has an inherent advantage with respect to human capital acquisition. Social capital: Taxation delivery of benefits may offer the advantage of less stigma than the administrative mechanisms used by many direct expenditure programs except for universal benefit programs; lesser stigma and application using tax returns puts the beneficiaries in the mainstream of society rather than segregating them. Financial capital: Neither delivery method has an inherent advantage with respect to financial capital accumulation. Specific goods and services: Neither delivery method has an inherent advantage with respect to encouraging the

accumulation of specific goods and services. Information: The relative impacts of the two program delivery types on the acquisition of information resources depends on the specific program operation but any differences are likely to be minimal.

Choice 7: specific groups

Income groups: At the lowest income levels, where individuals are below the taxable threshold for income tax, only refundable tax credits can be used. To the extent that the situations and needs vary across individuals, there is greater need for discretion in the provision of program benefits (including linkage to in-kind services), which tilts the choice of program design toward benefit delivery through direct expenditures. At higher income levels these considerations are less important, meaning that taxation delivery can play a larger role. Recent immigrants: The lack of an income tax record means that the initial cash benefits need to be delivered directly. Direct benefit delivery is also desirable to account for the varying cash needs of immigrant families and the linkage to in-kind services. Aborigines and Working poor: To the extent that market incomes of these two groups vary over time—either seasonally, annually, or idiosyncratically—the direct delivery method is more responsive to changing individual needs to fulfill the IF objective. Otherwise tax delivery can be used to cover basic ongoing income security needs. Single parents, Disabled, and Elderly: There are some similarities in desirable program design for these three groups. Basic cash-type benefits can be delivered via the tax system, so long as the benefits do not need to be targeted on highly variable individual incomes. Benefits needed to cover special individual needs and the linkage of cash benefits to in-kind benefits are best handled through delivery via direct expenditures.

Design Choice 8: Governmental or NGO Delivery (in-kind programs)

Choice 8: description

In-kind public benefits can be delivered either by a governmental department (or one of its subsidiary entities) or by a nongovernmental organization (henceforth simply “NGO”) such as a non-profit community group. For present purposes we do not consider separately arms-length public entities such as hospitals and universities; they are lumped in with governmental delivery. This design issue pertains overwhelmingly to in-kind benefits, since governments rarely delegate to NGOs the delivery of cash benefits.

Choice 8: strengths and weaknesses

Strengths of governmental delivery: When in-kind benefits are delivered by governmental agencies, there is tighter control over implementation of the program criteria for eligibility and related requirements; this can reduce the risk of favouritism and bias in the provision of benefits. There is also the potential for more consistent application of program criteria over wide regions, augmenting the program’s horizontal equity. Governmental delivery also ensures adequate standards of staffing and training.

Weaknesses of governmental delivery: Delivery of benefits by governmental agencies may incur higher costs than by NGOs for the reasons cited above. Governmental delivery may impose greater rigidities in the application of the program to the specific needs of particular communities or individuals than delivery by NGOs.

Strengths of NGO delivery: Being closer to the affected community and residents, an NGO can adapt the program operation and criteria to better meet the specific and sometimes unique needs of the clientele. An NGO may command greater acceptance by potential beneficiaries and thus attract greater take-up of benefits by eligible individuals. An NGO can achieve budgetary economies by utilizing non-unionized staff, volunteer labour, and private contributions of material and funds.

Weaknesses of NGO delivery: The program objectives and operational criteria may be compromised by community and volunteer influences on the program's application. NGO delivery may increase the risks of staffing favouritism, discriminatory behaviour, and financial malfeasance. Delegating the delivery of benefits still requires governmental monitoring of the performance of NGOs on a periodic basis, which absorbs resources. NGO delivery may be less effective if the target population is physically dispersed.

Choice 8: life course asset accumulation

Human capital: Neither of the two program delivery methods appears to have any inherent advantage with respect to human capital accumulation for beneficiaries; however, to the extent that NGOs employ local workers on a paid or volunteer basis, their human capital resources may be augmented. Social capital: The delivery of program benefits through NGOs likely is more conducive to the generation of social capital, insofar as there is community involvement and volunteer labour in the program's operation. Financial capital: Neither of the two program delivery methods appears to have an inherent advantage in stimulating the acquisition of financial capital. Specific goods and services: Neither of the two program delivery methods appears to have an inherent advantage in encouraging the acquisition of specific goods and services. Information: Program delivery via NGOs has the potential for greater generation of information resources in beneficiaries on account of the less formal, less bureaucratic, more local, and more neighbourly operation of front-line offices.

Choice 8: specific groups

Income groups: It is not clear that the choice between these two modes of program delivery differs systematically by income level, but greater homogeneity of incomes within a community may favour the delivery of in-kind benefits through NGOs. Recent immigrants and Aboriginals: For each of these groups, an NGO may facilitate effective program delivery by staffing with persons of similar culture and language and first-hand knowledge of the barriers and opportunities faced by beneficiaries. Working poor and Single parents: Either program delivery method may work well, and given the diversity of circumstances within these groups it is not clear that one delivery method is innately more appropriate. Disabled: Similar to the issues arising for recent immigrants and aboriginals, the use of NGOs for delivery may benefit from staffing and volunteers more familiar with the special needs and issues facing this group. Elderly: The greater uniformity of circumstances within this group make governmental delivery effective, except that NGOs can tap volunteers familiar with the difficulties faced by beneficiaries.

Design Choice 9: Individual or Community Focus (in-kind programs)

Choice 9: description

Another issue for the design of in-kind benefit programs is whether the focus for policy intervention should be the individual/family or the community. (Cash benefit programs are inherently focused on the individual or family unit.) Focusing benefits on the community could include items such as community centres, recreation programs, crime reduction programs, and cleaning up a neighbourhood (the “broken windows” theory of community improvement). The distinction between an individual and a community focus is not clear-cut; for example, even with a community centre, there are issues of which individuals access the facility’s programs and any related admission criteria or fees. Typically, the use of a community focus tends to be associated with collective or diffuse benefits that are maximized when conditions are changed jointly for many individuals rather than each of them separately.

Choice 9: strengths and weaknesses

Strengths of individual focus: Most in-kind benefit programs have an individual focus, in part because of the varying needs and preferences of individuals and families. The benefits can be targeted to those needs, and the benefits are mostly “private goods” in the economic sense that anyone using more of them means that others have less—as opposed to “pure public goods” where additional individuals enjoying the same good (and at the same level/quality of supply) does not diminish the enjoyment by others.

Weaknesses of individual focus: In cases where a good or service has significant “public good” attributes, or there are large scale economies, an individual focus for program benefits may have higher cost and be less efficient than a community focus.

Strengths of community focus: Some types of activities, goods, or services are not amenable to being allocated to particular individuals or families; the community at large can benefit jointly and simultaneously from the same good or service. This also applies to activities, goods, or services with large positive social externalities—where the consumption of more benefits by one individual yields significant benefits to others in the same neighbourhood. There may also be scale economies or aggregative effects of some in-kind benefits that favour the use of a community focus. In addition, delivery of some services via the community may help to build social capital across beneficiaries.

Weaknesses of community focus: With community-focused programs, there is greater risk of ill-defined, wishful goals and greater risk that the program will be ineffectively implemented. The performance of community-focused programs is also difficult to assess.

Choice 9: life course asset accumulation

Human capital: Focusing program benefits on the individual rather than the community will generate the largest accumulation of human capital. Social capital: Focusing programs on the community will likely generate the greatest social capital, especially where program participants can meet each other and share experiences. Financial capital:

Focusing programs on the individual will likely produce the greatest increase in financial capital of beneficiaries through the augmentation of human capital and earnings capacity. Specific goods and services: Either an individual or a community focus can be used to increase the consumption of specific goods and services—an individual focus either

through direct provision, subsidies, or tax incentives; and a community focus through the public provision of joint community facilities such as parks and recreation. Information: Community delivery may help to build individual information resources if there is joint participation in the in-kind service program (such as daycare drop-in centre).

Choice 9: specific groups

Income groups: It is hard to find useful generalizations about the relationship between income levels and the relative utility of individual versus community focus for delivery of in-kind benefits. Social capital and social inclusion might be augmented in relatively income-diverse communities by a focus of delivery at the community level. (One example is the mixing of social housing units in market-priced housing developments.)

Recent immigrants: A community focus may be effective for delivery of some in-kind benefits where there is a concentration of immigrants, especially with similar origins.

Aboriginals: A community focus may also be effective for delivery of in-kind benefits for on-reserve Aboriginal people having fairly homogeneous needs. Working poor and

Single parents: A community focus may work well in neighbourhoods having concentrations of working poor and/or single parents, especially for services that can generate social capital and information capital by shared participation. Disabled: A

community focus for program delivery may be effective for benefits such as group housing and rehabilitative facilities or encouraging the employment of disabled persons.

Elderly: A community focus can for delivering seniors' in-kind benefits can be beneficial where socialization and social capital are enhanced for individuals who otherwise might be socially isolated.

Mix of Program Designs and Mix of Programs

Our previous discussion, as well as common-sense observation, suggests that achieving specific goals of income security policy typically requires the simultaneous application of multiple programs, each with a different mix of program design choices. One important but relatively complex example is improving the development of children in low-income, single-parent families. Programs that might help meet that objective include: income maintenance through the taxation and/or expenditure systems, earnings and employability augmentation for lone parents, high-school completion programs and occupational training, diverse in-kind benefits such as daycare, health care, and housing, in-school supports and counseling, community safety and recreation, enforcement of support by non-custodial parents, discouraging single teenage pregnancies, and incentives to encourage marital stability and remarriage. Obviously these programs span the full range of design choices—cash and in-kind, taxation and expenditure delivery, universality and various forms of targeting, consumption- and investment-oriented, human capital and asset-based, individual and community focused, and governmental and NGO delivery. Only a quantitatively implemented life course model can assess the relative payoffs of these programs individually and in various combinations. Moreover, the assessment of outcomes needs to consider specific population groups (such as those considered above), cohorts at different stages of the lifecycle, and persons experiencing various life course transitions (such as marital dissolution, disability, or sudden obsolescence of skills).

Research Priorities on Income Security Program Design

This paper has developed a framework for characterizing the principal features of program design for income security; it has also catalogued the major strengths and weaknesses of each design feature. Our analysis has considered the key institutions that act upon the individual: family, markets, community, and governments. We have briefly assessed for each of the policy design choices the likely comparative effects on acquisition of key resources in the life course perspective: human capital, social capital, financial capital, specific goods and services, and information resources. We have also offered some casual observations on each program design feature relative to selected population groups. Our typology of design features provides a foundation for pursuing substantive research into the efficacy of alternative program designs on the objectives of income security policy. That research requires a well-elaborated quantitative model of the population that incorporates the life course perspective and a large number of behavioural relations both among the non-governmental institutions of society and tying those behaviours to the incentives and resources provided by public programs (see Policy Research Initiative, August 2004). Those behavioural relationships act in the economic, sociological, psychological, and political spheres. The relationships are further conditioned by the varying individual life histories and stocks of the various resources, giving the analysis a complex dynamic dimension.

Accordingly, the priority for future research is to determine the most important of the behavioural relationships, to comb through diverse bodies of research to find where reliable empirical relations are available, and to establish an agenda for empirical research on relations where the established literature is lacking or weak. This task is admittedly a daunting one, given the difficulty of undertaking “clean” empirical analysis of cause-and-effect in a world of changing public policies and other ongoing socio-economic changes and “noise” without readily available experimental controls. The fact that individual programs of a particular design may have effects that are not merely additive with the effects of other programs but interactive with them introduces another complication. Likely complementarities between income support and social service programs make this a realistic concern. The long time horizons for many relationships to reveal their full nature and the need to interact these relationships with numerous individual traits, life course transitions, and heterogeneous stocks of relevant resources further complicates the undertaking.⁶ Yet another obstacle to empirical research in this area, as revealed in the evaluation literature for training programs (OECD 1992), is the finding that seemingly small changes in the operation or staffing of a program can have major impacts on outcomes. These issues mean that the research demands the highest skills of research design and statistical technique as well as high quality, in-depth, longitudinal datasets. In short, the research agenda to determine which program design features matter most for particular objectives of income security policy is not for the faint-hearted.

⁶ The analysis actually needs to model and estimate both the impacts of program design on the accumulation of resources by the individual and the effects of individual resource stocks on their reactions to life transitions in the presence of policies with alternative program designs.

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