



**PRE-BUDGET CONSULTATION BRIEF TO THE STANDING COMMITTEE ON FINANCE:  
BETTER EVIDENCE FOR GOVERNMENT DECISIONS**

**Submitted by the Experts Panel on Income Security of the Council on Aging of Ottawa**

**SUMMARY OBJECTIVES**

We propose that the 2017 budget contain new funding for a major upgrading of the base of national social statistics and associated analytic capacity. This is needed in order to support evidence-based social policy that can take account of the need for, and effects of, social policy changes over the medium- and longer-term and that takes better account of the diversity in the lives of Canadians. There are currently pressing areas of policy concern for which data, and the capacity to properly analyze them, are simply missing or in disrepair. We are far from having the evidence base and analytic capacity in these areas to deliver on the government's commitment to policy making based on solid evidence.

**THE TYPE OF DATA AND TOOLS THAT ARE NEEDED: EXAMPLE**

In our work on income security issues for the Ottawa Council on Aging of Ottawa, we have become acutely aware of a serious lack of statistical evidence concerning the options for policy action over the medium to longer term, and the effect of possible policy solutions in areas related to ageing, income security, health and care-giving.

Improved new evidence should focus on distributional characteristics (not just averages) and recognize the evolving, changing nature of the economy, its work patterns, and increasingly varied challenges, choices and outcomes as people move through their life cycles. It is important in policy-making to have a deep understanding of the (perhaps increasing) heterogeneity of the population as a result of the myriad choices people make as they engage in schooling, caring, working, and leisure throughout their lives, including the aging and retirement years. Such understanding depends critically on the availability of richly multivariate and longitudinal microdata. Important questions cannot be appropriately answered, nor key issues adequately clarified, with our current data and analytical models.

Many examples can be provided of policy discussions that need improvement with the help of updated or new data and analytical tools. For instance, we believe that recent analyses on retirement incomes have not taken proper account of the dramatic and steady growth in employment rates that has taken place over the past twenty years among people in their 60s. If existing ages of entitlement to pension benefits remain unchanged, then the next decades could see a large growth in the number of people who are in receipt of both earnings and pension benefits, the latter with significant tax system supports. Is this a problem?

We know that those with low incomes have shorter life expectancies (die earlier) than those with more, raising fairness issues. Also, later starts to working life after longer schooling (or other delays) may mean no major change in the span of working life, nor of the retirement period even though life spans

are increasing overall. Work patterns are likely to be more unstable than in the past, and workplace pensions less secure.

Thus future elderly may well have quite different and more problematic characteristics than today's. The kind of life-course analysis that is needed – for example that takes into account the diversity of school-work pathways, interrupted work careers, and work-retirement transition, along with changes over life in family composition – is only possible using micro analytic, longitudinal tools such as Statistics Canada's LifePaths model for which funding has been terminated.

## **RATIONALE AND OVERVIEW**

Statistics Canada's funding and capacity in the development and analysis of data and in effective partnering have been seriously eroded, and need to be restored and enhanced. We also believe that there has been deterioration in social policy research capacities in recent years, and that this needs examination and strengthening both within and beyond government.

(We have compiled a list of lapses and gaps in needed data and analytical tools, and have shared this with several relevant ministries as well as Statistics Canada, with whom we have ongoing discussions. Details available on request.)

A solution will require action on three fronts.

The first is a legislative strengthening of the independence of Statistics Canada, and of its authority and ability to use the power of information technology to unleash the enormous potential of administrative records, in combination with Statistics Canada's surveys, to transform our policies and programs and our capacity to assess them.

Within Statistics Canada valuable relevant work is already underway as can be seen in the draft document, *Creating a Modern Framework for an Independent National Statistics Office*<sup>1</sup>. The changes to the Statistics Act and other changes to governance and administrative arrangements proposed in that document will provide much of the needed structure for a major step forward.

Secondly, however, legislative and machinery of government changes will not be enough. Fulfilling its mandate to provide Canadians with essential statistical information means that Statistics Canada must not only collect and process data, it must also transform these data into useful information – either directly or in partnership with others, including within government but also across Canada's academic research community, think tanks, and a wide range of other capable organizations.

We strongly believe that funding should be adequate, for example, to:

- Support the collection, cleaning, and integration of various administrative data which are becoming increasingly important over time.
- Develop new longitudinal and other surveys to fill inevitable gaps that cannot be met from administrative data sources alone.
- Develop and support user-friendly policy-relevant micro analytic models and other tools that will allow the new data to be used in practice.

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<sup>1</sup> Draft Version 14, received from Statistics Canada on July 21, 2016 after an Access to Information request by a member of our panel.

- Initiate steps to encourage the development of more distributed receptor and analytic capacity to enable effective use of these data, models, and other related tools throughout the policy research community in Canada.

Thirdly, we think it important to support a body outside of Statistics Canada to review needs, capacities and priorities for improved social policy research and analysis in Canada, and possibly providing oversight in conjunction with regular reports to Parliament.

### **SPECIFIC CONSIDERATIONS**

We propose, at the least, a one-time upgrading of the data and analytic tools needed to undertake medium- and longer-term analysis. (Decisions related to shorter-term and ongoing statistical priorities need to be part of the normal annual processes of planning and budgeting.) While the funds involved are small relative to the size of the programs involved and potential payoffs (billions or even tens of billions of dollars), they are too large to be funded from existing budgets, where priority inevitably goes to the most urgent short-term needs.

We strongly endorse strengthening Statistics Canada's mandate to collect administrative data from many sources in a way that protects confidentiality and that ensures data integrity. This is necessary, but not sufficient. Additional funding needs to be primarily directed to Statistics Canada in order to make full use of these data. Among the functions that need significant strengthening are the computing technology used to hold and manipulate these data, the internal cadre of highly skilled "data scientists", the capacity not only to use but also to be leading edge innovators with regard to sophisticated kind of data analytics and simulation models, and the ability to work collegially on a peer level with outside research and analytical partners. This newly strengthened data and analytic capacity will inevitable serve multiple needs of many program agencies, researchers, advocates and critics.

In conflict with its legitimate independence as well as its role in designing and delivering our national statistical systems, Statistics Canada was required to transfer to Shared Services Canada the authority, control and resources over all its own IT systems. This is inconsistent with established international practice, and is a major barrier to the kinds of data analytics innovation we envisage for Statistics Canada. This transfer must be reversed.

In sum, recovering lost capacity – involving gaps in data, analytical tools and the research they support – while also investing in innovative system improvements, point to the need for significant budget support. While changes to the Statistics Act should strengthen Statistics Canada's mandate and authorities, it also needs the resources to fulfill those roles and responsibilities.

As well, other bodies also need to play a role in the developing the needed new capacity. For example, in the area of income security it will be important to involve the federal departments of Families Children and Social Development, Finance, Revenue Canada, and the Office of the Chief Actuary (OCA), provincial and territorial finance (and other) ministries, academic researchers, think tanks, advocacy groups and others.

However, there is no obvious leadership node for these groups to review and discuss the broader issues raised above. A new kind of analytical-oriented organization, or at least coordinating, advisory and/or support group, may be needed. Such a body could have an initial mandate to identify gaps in the evidence system (including its associated data and tools), articulate future needs and recommend

improvements. It would need strong leadership and a strong mandate with resources. Initiated and supported by the center of government (PMO/PCO/Finance/Treasury Board).

While these proposals were shaped by the needs for better evidence in areas related to aging, income security, health and care-giving, they are cast sufficiently generally to cover many areas of social policy analysis, as well as the links between social and economic policies.

Such initiatives should not and need not be delayed in the face of the large and urgent agenda in which the new government is understandably engaged. Mandating initiatives now and in the next federal budget can lead to the strengthening over time of the government's policy making and thus to the fulfillment of its commitment to governance supported by evidence.

### **A 2017 BUDGET INITIATIVE**

More specifically, we recommend:

1. Adequate resources for Statistics Canada, to:
  - restore the problematic gaps that have developed in both data collection and tools to analyze them;
  - recover the independence, control and resources of its IT apparatus;
  - unlock the potential of administrative records and other innovative data developments; and
  - improve accessibility and support for outside users along with their own analyses, all to secure its role as a first-class national statistical institution.
2. A development-and-innovation budget to both renew and advance Canada's general socio-economic policy capacity, reaching beyond Statistics Canada's needs to ensure that policy research work and training both within government and across NGOs, academic institutions and other relevant organizations can improve and sustain the well-grounded policy ideas, evidence and advice that governments need for good decisions.
3. An expert panel (or comparable structure) be created and mandated as soon as possible, to work with both users and suppliers of policy-relevant data, models and social policy research, to assess needs, gaps and priorities for the medium and longer terms, and to propose appropriate mechanisms. Perhaps a one-year review mandate would be appropriate, to develop and help implement proposals.

Some of these activities may require a surge of funding over an initial period of several years, before settling to a restored, adequate funding trajectory over the longer term. The levels, duration and sources will need to be determined. Based on historical experience of transforming the statistical/analytic system in the way we suggest might be in the order of \$100 million, but calculating a firm estimate should be a priority for the new review structure being proposed. Consultations with Statistics Canada and others will be required.