



INPUT TO THE CANADIAN POVERTY REDUCTION STRATEGY

COA Experts Panel on Income Security

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1. Introduction

The Experts Panel has suggestions in five areas that may be of interest in the development of the Canadian Poverty Reduction Strategy (hereafter referred to as the Strategy):

- The scope of the strategy and related comments on poverty indicators.
- The data and analytic capacity that is needed to support an effective, sustained attack on poverty.
- The ongoing consultative process that is equally needed.
- Priorities in addressing poverty among seniors.
- Increasing the effectiveness of programming over time.

Each member of our Panel has a significant background in policy research and social policy design and development, spanning decades. We've come together in the past two years under the auspices of The Council on Aging of Ottawa, a 40-year-old organization concerned with the wellbeing of Canada's seniors. A brief introduction that also identifies our members is attached.

This note borrows heavily from other documents produced by the Panel, often word for word, including a forthcoming article in Policy Options.

2. Poverty indicators and the scope of the Strategy

Some ambiguity as to scope?

The title of the Strategy, along with the [Discussion Paper](#)¹ that was initially circulated, suggests that it is being conceived as a national strategy dealing with all aspects of poverty, including poverty alleviation and poverty prevention. That material makes it clear that poverty is being seen as a complex problem that involves much more than the lack of current income resources. It also includes the lack of resources related to skills, housing and health. Nor is the mandate to be limited to existing program instruments such as income transfers. Indeed the Advisory Panel is being asked to suggest innovative approaches to poverty reduction. Nor is the mandate to be restricted to the federal role in poverty reduction. The background material recognizes the large role of other orders of government and points out that the Strategy will need to learn from these and attempt to be compatible with them.

On the other hand, some aspects of the background materials suggest a more limited mandate, namely one that focuses on point-in-time income transfers and on the role of Government of

Canada in fighting poverty through its income security programs. For example, the programs to fight poverty that are mentioned in the background materials are all federal and most involve point-in-time income transfer programs. The material on indicators acknowledges that there might be supporting indicators related to skills or housing or material deprivation, but the central emphasis is on variants of the annual cross-sectional low-income measures that now exist and that are most useful in assessing mainline federal income supports such as pensions, child benefits, student aid, working income and other tax-related benefits.

It therefore seems possible that the Strategy could be designed to accomplish two quite different things:

- Providing a national or pan-Canadian strategy that could help in harmonizing the efforts of the entire country, including all orders of government and civil society, in alleviating and preventing poverty. The Experts Panel believes this is where the Strategy could add the most value, although doing so will require a serious investment in strengthening our data and analytic capacity and in creating an ongoing consultative process.
- Providing a strategy that would allow that Government of Canada to determine priorities, set targets and monitor progress focusing only on its own income security programs. This option may seem attractive in terms of ‘actionability’, but has many risks in the absence of an umbrella pan-Canadian strategy.

A choice must be made. To start, the choice of indicators and supporting measurements would be quite different in a pan-Canadian Strategy than one with a narrow federal income security focus. Let us look at the question of indicators first.

Too much attention is placed on current or point-in-time income indicators and measures

The background paper to the Strategy referred to above is consistent with mainstream approaches that call for the development of poverty indicators mainly defined as the number of people whose annual family income falls below some threshold. Most of the papers at an internal workshop organized as part of the development of the Strategy assumed that annual income would be the basis for most poverty indicators. In other words, the current discussions of indicators and supporting measures imply a strategy with a policy focus on the annual cash flows provided by current income security system.

However, the many actors throughout Canada, both governments and NGOs, who play different roles in fighting poverty would also benefit from indicators, including but not limited to income indicators, that track trends in those dimensions of poverty that they are mandated to address. Good indicators would help them determine their policy goals and priorities, measure their progress, and show how their contributions are fitting in with those of others. (For most of these actors, an evolving *dashboard* of carefully selected indicators will be more useful than a single measure, as discussed in the box on the next page.)

For actors with a mandate to alleviate poverty using Canada’s income security system, their chosen indicators will likely focus on the lack of current income. For actors with a mandate to prevent poverty from arising in the first place, their indicators will reflect individuals’ and families’ resource challenges or deficits in areas such as skills, housing, employment and health.

Why a dashboard of selected indicators is better than a single one-size-fits-all poverty indicator

Much current attention is focussed on the search for the Holy Grail of a 'one-size-fits-all-needs' single indicator of the extent of poverty. Searching for a single indicator is understandable – it simplifies discussion and debate about whether poverty is growing or falling.

However, a single indicator based on income would be relevant primarily for those poverty reduction strategies focussing on poverty alleviation through programming that provides point-in-time income. Even with a focus on annual income, the use of a single indicator is problematic given the many relevant facets to low income, including its depth and persistence and the relationship between the extent of low income and characteristics such as age, living alone and skill levels.

More broadly, the effort to find a single income indicator is taking place despite the almost universal acknowledgement that poverty has many dimensions, with no consensus on a common definition. (See, for example, the discussion in the main text of the diverse characteristics of those who we label as being poor.) It is therefore not surprising that the search for a single catch-all indicator has been going on worldwide for many decades without any emerging consensus.

Some progress has been made however. In particular, if there had to be a single indicator, there is now wide support that it should be some variation of the Low Income Measure (LIM) as opposed to the traditional Canadian reliance on the more complex, Low income cut-off line (LICO). Nevertheless, a LIM indicator will always be easily dismissed by those who do not like the policy implications that are shown by trends in the LIM. The measure is open to the quite legitimate complaint that it is an entirely relative indicator that ignores material deprivation, such as lack of food or housing, which is, for many, an important dimension of poverty. Even the different factors used in defining a particular LIM will be controversial, making sense in some contexts but not in others.

- For example Alain Noël's recent Policy Options column, [How Do We Measure Poverty?](#)², argues for a provincially-based LIM since most of the responsibility for addressing poverty lies in provincial jurisdiction. While that might make sense

in assessing provincial and territorial income security programs, a nationally-based measure makes more sense in assessing the large federal programs that support those with low income, many of which are financed from general taxation and where common national standards are either explicit or implied by equalization transfers.

- Conversely a single national measure can hide important differences in the cost of living across cities, or between urban and rural areas.
- Some advocate using a moving average of LIM numbers, while others advocate the use of most recent figures. Any choice will be controversial.

In other words, the choice of an indicator depends on the application in question. To pretend that any one indicator can be a proxy for use in all applications is to encourage constant debates about the way the indicators are defined rather than focussing on the underlying needs of those who are poor.

Conversely, it is equally true that having a very large number of indicators makes it difficult to make simple statements about whether things are getting better or worse overall and to gain consensus on needed policy responses.

The best compromise, as outlined in the text, would for each of the actors in the system to have the opportunity to develop dashboards suited to their mandates, supported by a strong underlying data base and analytic capacity that would ensure consistency in the way the indicators were defined and that would show how they relate to each other. Such an approach requires broader thinking and collaboration. It is an intensive, not magical, solution.

The different indicators in such a dashboard would often move in different directions and would therefore fail to meet the utopian goal of providing an unambiguous picture of whether things were getting better or worse. But any such "conflicts" in the indicated direction of change can be extremely valuable by pointing to the need for more probing. And, overall, they can provide a reasonable, empirically-based, and appropriately nuanced picture of overall progress in fighting the multiple dimensions of poverty.

However, relying on a single income measure would be risky even within the income security system as set out in the box on the preceding page. As well, income indicators would not be helpful for approaches to alleviating current poverty that do not centre on income, such as the provision of housing or workplace skills. They would be particularly unhelpful in the context of efforts to prevent poverty from arising in the first place, including early childhood learning or tackling addiction.

Not all the needs of those who we label as being poor can be proxied by the lack of current income

Research has long shown that the population who are poor, or who are at risk of becoming poor, is highly diverse. While there are many ways of demonstrating this heterogeneity, a look at the duration of low-incomes tells a powerful story. [Murphy et al](#)³ show that low income is often transitory in nature. During the early 2000s, one third of Canadians who fell into low income left low income the following year. Few were 'income poor' for six years or more (between 1.4 and 3.5 per cent depending on the measure used). The extent of long-term income poverty is greatest among unattached people aged 45-64, lone parents and those with activity limitations. Persistent income poverty is also high among indigenous people, recent immigrants and youth aged 20-24 who are not in school.

Many of those who are persistently income poor face problems in addition to lack of income, including lack of skills, poor health, addiction, precarious work, stress, inadequate housing, sickness or death of a family member, lack of supports to overcome work-related activity limitations, cultural and language barriers, discrimination, isolation or weaknesses in social networks and, often for those most disadvantaged, a mix of the above. These diverse aspects of poverty must be measured if they are to be effectively addressed by policy. The oft-stated claim that income is a good proxy for the lack of all other resources makes no sense when we look at the characteristics of many of those who are poorest.

Poverty alleviation and poverty prevention require different indicators of success

Poverty is often conceptualized as the lack of resources needed to allow people to develop their capacities. This view requires thinking about poverty over the whole course of people's lives as well as currently used point-in-time perspectives. Such a life course or developmental perspective is further linked to what is sometimes called the cycle or culture of poverty – with the obvious objective of developing policies and interventions to break this cycle.

The prevention goal is sometimes cast in terms reducing the inter-generational transmission of poverty, with each generation leaving behind a world that is better and more equal than they inherited with respect to a wide range of resources.

Attention is accordingly placed on longer-term preventive, human development measures which expand the scope of a 'poverty' agenda to include education, health, housing and employment policies and, especially important in the literature, high quality early-learning and child care in low-income families. Many such preventive and developmental interventions will yield their most important effects decades into the future. Their success cannot be captured by looking at current resources alone, let alone current income.

The box below illustrates that, even when the goal is to alleviate current lack of income, both income transfers and more preventive measures can be used. Choices must be made between them, which would be difficult if the Strategy were to be focussed only on income security programming.

Lack of skills: balancing poverty alleviation and poverty prevention in current interventions

Take the practical example of people who currently have low incomes because they lack the skills needed to hold decently paying jobs. Policy responses can center on either alleviation or prevention.

- The poverty alleviation solution is to provide income transfers to those without earnings (or WITB-type support to those with low earnings) – ideally to bring these people up to low income cut-off lines. In some cases recipients will find jobs and move off income support. Others will remain on support for long periods, with some being totally discouraged from seeking work because of work disincentives in the transfer program (as in the outrageously high marginal effective tax rates on earnings in the Guaranteed Income Supplement).
- The short-term preventive solution is to provide the needed skills training (associated with financial assistance to support people while they are being trained). Many of those who receive this training will get jobs and, over their subsequent lives, will

be able to rely on earnings with less need for further income transfers. Others will fail to find work, resulting in continuing income transfers as well as the additional cost of the ineffective training.

In theory, the policy choice in funding these two alternative kinds of program would depend on their net costs and benefits calculated over a long period of time. Current concepts which view poverty from an inclusion, human development, life course perspective would favour the preventive, training interventions, if they can be justified in cost-benefit terms.

In principle, the data and analytic techniques to routinely perform the necessary calculations of net costs and benefits are well known. These calculations allow interventions to be based on the probabilities of what types of interventions are likely to work best – based on what has worked best in the past for people with similar characteristics and in similar situations. However, the collection and analysis of such data is not close to being routine for informing public policy.

A Strategy with a narrower scope on the federal role in income security is possible but sub-optimal

The law of the instrument holds that if our only tool is a hammer, we see nails at every turn. If our main measurement tools relate to current income, this could easily result in policy responses that focus on the provision of income with less attention paid to programming that addresses the other, and in some cases, more fundamental causes of poverty. This is an especially large risk at the federal level. Because of the size of the federal role in the income security system, there is a real danger of downplaying its role in poverty prevention. There are many federal policies that can play a large role in poverty prevention, including those related to the labour market and skills, health, housing, literacy, immigrant settlement, disability and poverty reduction in First Nations.

These preventive roles of the Government of Canada are often carried out in partnership with provinces and territories and fighting poverty is often not their prime goal. However, while they may be inconvenient and messy, they are important. An [essay](#)⁴ by one member of our Panel has, for example, argued that federal labour market agreements with the provinces and

territories provide a rare opportunity for Canada to take a world leadership role in using newly available tools of big data and predictive analytics to increase, perhaps dramatically, the success of skills training (including literacy training) that would enable many people with low incomes to find decent jobs – including many people who would otherwise be persistently poor. The possibility of using Employment Insurance funding here merits serious examination.

The role of the Government of Canada in the provision of income is already quite effective, especially given improvements to Child Benefits and WITB. While there is always room for further improvement – for example building on recently renewed interest in basic incomes and addressing the confiscatory marginal effective income tax rates for seniors receiving GIS – the returns on investment in other, more underutilized, poverty reduction fronts may be even greater – such as in the skills training example above. The choice of poverty indicators should encourage, not discourage, consideration of their potential use.

In other words, while a Strategy based on income security programming and the federal role in the income security system is certainly possible, it would need to be made clear that income

was only part of the way the Government of Canada fights poverty and, arguably, not necessarily the most important area to focus on at this time. A narrow strategy would make most sense if there were counterpart strategies that covered other federal programming in support of poverty prevention perhaps including separate strategies for housing (e.g., the recently announced [National Housing Strategy](#)⁵), or for literacy skills, or for First Nations, or possibly a strategy on how Employment Insurance, including Part 2, could be more effectively address poverty. Separate federal strategies would make most sense if there were also an umbrella, pan-Canadian strategy that would take account of the interactions among the different poverty fighting programs at all levels of government.

Example: An income-based dashboard of indicators

To the extent that a decision were taken to establish a strategy with a federal income security focus it could be supported by a dashboard of income-related indicators along the lines already discussed in the preparatory work to the Strategy. Such a dashboard might well include a variant on a Low Income Measure (LIM, using a moving average of median incomes), perhaps supported by a regularly-updated Market Basket Measures (MBM), supporting measures of the depth and persistence of poverty, as well as labour market indicators (ideally going beyond current unemployment rates to capture work precariousness) and indicators of food insecurity and material deprivation.

At present, strategic thinking, even within a single federal department, is typically carried out within narrow programming silos. It can be argued, perhaps cynically, that it might be easier to bridge these silos with a pan-Canadian poverty reduction strategy than with one that had only a federal focus.

Our Panel's main interest however is to advocate that the Canadian Poverty Reduction Strategy be framed as a pan-Canadian strategy that would help the many actors throughout Canada to work together in fighting poverty.

Such a strategy would have two components relating to measurement: the development of the underlying data base and associated analytic capacity; and the establishment of a consultative process that would be based on dashboards of poverty indicators that would reflect this greatly strengthened underlying data base and analytic capacity.

3. Towards an empirically-based pan-Canadian strategy: the measurement component

Indicators do not grow on trees waiting to be plucked. They require a carefully-defined data feeder system and an associated strong analytic capacity that should serve multiple analytic purposes. The Strategy provides an opportunity to accelerate the development of this capacity.

The new data and analytic capacity would allow us to provide consistent data to support the (explicit or often implicit) dashboards of indicators that support all poverty reduction programming in the country and, via drill-down capacity, would also allow us to unpack the underlying webs of causality. Policy initiatives, informed by an understanding of their key determinants, would be more effective. The data would describe the characteristics of people over the course of their lives, including their attachment to family, to the labour market, and to the programs and services that provide resources such as skills, health, caring and income. The analytic capacity would allow tracking of the way people acquire and lose these resources, would allow analysts to simulate the effects of proposed policy changes and would provide a conceptually consistent hierarchy of indicators and supporting information to thousands of actors throughout the system.

Many of the needed data collection and analytic tools are well known in research circles under headings such as big data, predictive analytics, and dynamic microsimulation modelling. However these tools are not yet widely used in policy applications. More details can be found in a separate note prepared by the Panel, *Upgrading social policy research and advice*⁶. The box on the next page is mainly an excerpt from this note. The data and analytic capacity discussed in the box have applications far beyond those suggested in this section. The final section of the paper describes how that capacity can also be used in an operational manner to improve the effectiveness of individual interventions and to enable different actors to work together in escaping the tyranny of program silos.

4. Towards an empirically-based pan-Canadian strategy: setting up the consultative process

Developing the data and analytic capacity just described is important regardless of whether the Strategy chooses a broad or narrow focus. The associated consultative process will however be shaped by whether the strategy has a pan-Canadian or a narrower federal focus. Here we use the example of the consultative process that would be associated with the national or pan-Canadian mandate.

The proposed consultative process would likely take place on an annual cycle, be headed by an independent body, be federally-funded, and would rely on heavily on Statistics Canada to collect the needed data. The goals would be to identify priorities for developing the new data and analytic capacity, to identify the common data needed by the various actors to build their own indicators, and gradually to develop a dashboard of pan-Canadian indicators.

The broader objective is to support and harmonize the work of the many governmental and NGO actors that play a role in fighting poverty in order that they can work in a commonly

Measuring poverty: challenges and solutions

The needed data and analytic capacity will not only support a system of consistent high-level poverty indicators by actors throughout the country, it will show the interrelationships among the indicators and allow us to drill down to find the underlying drivers of change.

Challenges

Important problem areas such as low income typically involve a complex of causes including, for example, loss of a job, lack of skills to find new work, loss of work by another family member, sickness, or the need to care for family members. In these cases it is difficult to construct the population sub-groups that are needed when using conventional repeated cross-sectional data sets, even when these data are collected on a regular basis with consistent data elements over time. There are useful analytic tools such as various forms of regression for exploring the relationship among these different characteristics at different points in time, but it is often not possible to construct clearly-defined, mutually exclusive groups whose average characteristics can be tracked over time.

To understand the longer-term need for, and effects of, policy changes, it is also important to have evidence on how things change over time at the level of individuals. In the case of pensions, for example, deeper understanding will come from data on when particular individuals enter the paid labour market after leaving school, on their employment history (which allows us to better understand the circumstances in which they can contribute to pensions or save for retirement and how they build and lose the skills needed to work longer) and data on their income and expenses during the often very long periods life spent in retirement. It is this kind of individual-level life course evidence of how things change over time that enable the painting of more realistic pictures of the actual needs and capacities of a highly diverse population, and in turn enable assessments of how government interventions

are likely to be most effective.

Solutions

The potential solutions are well known in the research community. They first involve the collection of data from longitudinal surveys and administrative sources where the same individual is tracked over time. Potentially powerful microsimulation tools for analyzing longitudinal data derived from multiple sources have been available for many years but have not yet been widely used in social policy applications. (They are increasingly used in health policy, e.g., the Canadian Partnership Against Cancer's OncoSim models and the U.S. National Cancer Institute's CISNET.) The second is to integrate information across domains – to support evidence-based policy for the increasing gamut of “horizontal” policy issues – and to do so in a way that differences across individuals and families can also be readily studied.

Finally, in policy areas such as retirement income, many factors influence outcomes, including a broad range of income support, service provision and tax programs of all orders/levels of government. Often complex problems are best solved through co-ordinated changes to a number of different programs. Once again, microsimulation techniques are the best way of keeping track of the combined effects of different programs.

In an ideal world, this kind of analysis would use a standard logic model approach in describing program interventions. That is, it would keep track of the input costs of different programs and relate them to the immediate outputs of those programs and, as well, to a range of higher order outcomes that are achieved as a result of the combined and often jointly interacting effects of various programs. Data sources are not yet in place to do this in a comprehensive fashion. However, over the medium-term, big data techniques using administrative data show much promise.

agreed direction. It would act as an umbrella that encompasses, not replaces, the strategies and plans of the separate partners such as the recently announced [National Housing Strategy](#)⁴ or the [Ontario income security strategy](#)⁷. None of the component strategies can be self-sufficient. For example, the Ontario strategy does not attempt to be stand-alone but calls for parallel

action at the federal level. Once again, to repeat an earlier theme, the scope of the consultative process should address all dimensions of poverty reduction including poverty prevention programming such as the provision of skills or immigrant settlement, even if the primary mandate of the programs in question is not directly related to reducing poverty.

As envisaged, the consultative process would not make specific judgments as to operational success or failure of existing programming. That should be the responsibility of the individual partners and their constituents and critics. Rather it would aim at providing the venues and tools to allow the partners to work together in a coordinated manner and to provide empirical information that would allow partners, outside critics, the media and the public to make consistent and reliable assessments of success or failure.

One could envisage an annual report being produced that would reflect the results of the consultative process in the preceding year. It could contain:

- Current progress in fighting poverty based on the dashboard of selected pan-Canadian indicators that had been agreed to in the preceding year.
- Links to the underlying base of supporting data which, in addition to broader research and analytic uses, would also provide multiple breakouts of the indicators in the dashboard, for example by geographic area and by different population groups, including those where poverty is concentrated.
- A proposal for the contents of the dashboard of indicators to be used in the following year(s), based on consultations about policy priorities and on the current state of the data.
- Progress in delivering on the priorities identified in the preceding year's report for the development of underlying data base and analytic capacity and a description of priorities for further development in the following year(s).
- Brief reports on major developments throughout the country in the past year, including policy initiatives and new poverty-related research and analysis.
- A special section reporting on initiatives that have been designed to move towards the kind of effective programming that is described in the final section of this note.

That is, the consultative process and its report would monitor progress but would not explicitly set targets for any of chosen indicators. However, if any of the various actors in the system did set targets, then these could be described in the section on reports on major developments. Similarly if, through a separate process, agreement were reached on national targets in a particular area such as reducing child poverty, progress could also be included in the reports section.

With regard to governance matters, following are some general observations on how such an approach might work in practice.

The ongoing consultation process might be managed by an organization that has credibility among the many partners. This might be an independent organization set up for this purpose with a board and/or advisory bodies that represents the major players, including the different

orders of government, major NGOs who play a strong role in fighting poverty (including representatives of groups that experience persistent poverty), and academics and think tanks with an interest in poverty reduction.

Alternatively, in the opening phase, a temporary commission might be tasked with launching the consultative process and advising on a mechanism for its ongoing administration.

Success would likely require an upfront recognition that it will take a considerable period of time to develop a mature system although there will be visible gains along the way. Success also requires an upfront commitment of considerable additional funding, especially for the collection of new data and the development of analytic tools, with Statistics Canada likely playing a major role. It seems inevitable that the necessary funds will have to come from the Government of Canada for there to be a quick and effective launch.

5. Addressing poverty among seniors

Our Panel has spent many hours discussing issues facing the retirement income system and pension reform – including issues related to poverty among seniors. Some Panel Members are well-known experts in the area. We could have much to say. However, in this note we will limit ourselves to some general observations and make an offer of further services.

General observations

There is a paradox. By most high-level income measures, the existing retirement income system in Canada is among the best in world in meeting both income replacement and anti-poverty goals at reasonable public cost. On the other hand when looking at the practical decisions that many low-income people face when planning their financial future in retirement, the system looks more like an uncaring jungle. We have an extraordinarily complex system that gets quite good results on average but that is almost impossible to navigate sensibly at the level of particular low income individuals. We return to the more general problem of program silos in the final section.

While the retirement income system works reasonably well for current seniors, we do not know nearly enough about how well it will respond for seniors in the future. It is difficult and risky to predict the future in almost every area of social policy. In most areas, policy responses can usually be readily adjusted to respond to unforeseen problems. However, in the case of pensions, existing decisions about pension designs will not have their main impacts felt for many years into the future when the situation of the affected future seniors could be quite different from those of existing seniors. This is one of the reasons why we have placed so much attention on strengthening our underlying data and analytic capability, particular for longitudinal life course research and analysis.

There is one trend however that is obvious and dramatic and that could, if it continues, have a large effect on the retirement income system in the quite near future. This is the quite extraordinary growth over the past 20 years in the employment rates of people in their 60s and older. If that continues, as seems likely, we will soon see increasing numbers of older people in receipt of both publically-supported pension and, for some, earnings at lifetime high levels. Our

[Tsunami paper](#)⁸ shows how this could quickly result in increasing publically-funded inequality among people of this age.

As a consequence, the next most pressing pension challenge is likely to be to bring the normal age of entitlement to pension benefits more into line with what is actually happening in the real world, but doing so in a way that does not increase poverty among those who cannot work later in life. Many solutions are possible. Some are quite simple and would result in increasing age of entitlement to most pensions, but not for the Guaranteed Income Supplement (GIS) which is aimed at low-income people. Others are more far-reaching such a resurrection of proposals to replace Old Age Security, the GIS and various tax measures by a new Seniors Benefit.

Our offer of further service

The Panel would be pleased to discuss any of the retirement income issues above with interested people connected to the Strategy when and if they wish examine poverty among older people. The Committee does not speak with a single voice with respect to possible solutions and this could add interest to such discussions.

6. Towards effective programming based on evidence

Apart from the short detour above on pension policy, this note has discussed the measurement of poverty, the scope of the Strategy and other topics dealing with the process of policy-making, as opposed to a discussion of initiatives that are most likely to be effective in reducing poverty.

In this section we describe the biggest current challenge to effective programming, the kind of policy response that will be needed in the long run, and the most useful approaches to take in the interim.

The essential challenge for policy-making: the scleriosis of mature program silos

Canada, along with many other countries, already has a highly-evolved set of policy instruments that address, either directly or indirectly, both poverty prevention and poverty alleviation. These include policies related to employment, learning, health, taxation, income transfers and many others, including the programming of all orders of governments and with important roles being played non-governmental bodies. We should, and do, strive to make further improvements and we nearly always do this by making incremental changes to programs that are already in place.

This reliance on making reforms through incremental changes to existing programs is perhaps the main challenge facing the search for more effective policy-making. The effects of individual reforms are seldom felt directly. They inevitably interact with a range of other programming often in complex ways. The problem is that we lack the analytic capacity to do a good job in understanding and measuring these

Recent critical comments by Canada's Auditor General have highlighted that, far too often, the federal government looks out at the Canadian public through many often uncoordinated programs and fails to understand, as a result, how the jumble is perceived and experienced by individual citizens.

interactions. In addition, even if we did have some sense of the magnitude of these interactions, we lack the mechanism to operate effectively across different programs and actors. The existing systems that ensure accountability in public programs require that most policy and programming decisions are made within quite separate programming silos – vertical stovepipes. Some degree of horizontal, co-operative action is always possible, but we lack the accountability systems to make this a normal way of doing business or to sustain more integrated programming over the long-run.

We can recast the challenge in terms of the earlier discussion about the diversity of circumstances and key determinants among those who are poor, including the multiple resource lacks typically facing those who are poorest. There would be widespread agreement that the best answer would be to move away from a separate program-by-program focus and to move towards a more integrated citizen-centred approach that provides individuals, and those who act on their behalf, with information on kinds of interventions that are available and which mix would work best for them in their particular circumstances. In many cases that would involve tailoring specific packages of information, services and associated income supports to the needs and circumstances of particular individuals.

Moving towards integrated, citizen-focussed programming is often seen as a utopian hope. Note, however, that the underlying tools to do this have long been available, but seldom applied in the social area. For example the ESDC predecessor department successfully piloted, but did not pursue, this technology in the area of active labour market programs almost 20 years ago⁴. Note also the parallel with the growing interest and development in the health area with ‘precision medicine’ which in turn is based on powerful new big data and predictive analytics. While there is considerable hype in these new areas, major benefits are emerging.

The reference in the preceding section to the labyrinth that faces low-income people in planning their retirement is a clear example of how we put programs first and citizens second.

The difficulty in dealing with closely interacting programs is confronted nearly every time a reform is proposed. In a [column](#)⁹ in the Globe and Mail, one of the Panel members recently described how, in designing possible WITB reforms, the interactions among WITB, social assistance, Employment and Insurance and minimum wages must be taken into account, including combined effects on effective tax rates.

The dilemma is that the problem of program siloes is well known but that we are, nevertheless, usually forced to work within those siloes in trying to find solutions. Most past efforts, and there have been many, to work across the horizontal silos have failed. Until we find solutions, the result will be continuing frustration, complexity and programming that is less effective than it could be.

The long-term solution

The development of a mature system of big data and predictive analytics that was described earlier in this note will eventually provide the information that is needed to break out the program silos. In other words the system that was described will not only support planning, design, monitoring and consultation, it will also be used to support effective programming at

the operational level, by inserting 'what is likely to work best' information into the system in real time. In service applications, that data will often be used to tailor the particular interventions being used to the needs and circumstances of the individual being served, at the time when decisions on interventions are being taken. As well, the same integrated data will support accountability as different actors within the system work together in a far more integrated, horizontal manner.

The [essay](#)⁴ referred to earlier by one of the Panel members describes in some detail the way in which the new system might operate once it becomes mature. In summary the new system will provide detailed information to policy-makers, service providers and citizens themselves about the kind of interventions that work best given an individual's particular needs, circumstances or preferences. It will allow partners to collaborate on a real shift of focus towards the individual citizen and will allow programs to gradually evolve based on continuous self-learning feedback loops. It will likely result in the gradual emergence of a new generation of 'social entrepreneurs' who will have access to the information that is needed to put together effective packages of services and supports to help people escape poverty, and whose success in so doing will be carefully documented by the same information base. These new approaches are likely to emerge in many areas of social policy, but their payoffs are likely to be particularly high for policies that fight poverty where so many interacting programs now exist.

How to move forward: escaping the tyranny of silos

Where existing data systems are strong, a mature system of big data and predictive analytics could become operational in some areas of social policy in a reasonable time frame, although even here large dollar payoffs will not likely result during the term of any one government. Where existing data are weaker, it will take even longer. However the essence of the system is that it is self-learning and will gradually improve from year to year even when large data gaps still remain.

On the other hand, important steps forward can begin within a year or so if we begin to use the new big data and predictive analytic techniques in a series of pilots, demonstrations, evaluations and experiments. This is the one area where we can successfully escape the tyranny of program silos.

In one sense, this is not a new approach. Over the past 50 years, Canada has spent many millions of dollars on countless small initiatives in areas such as social, employment and rehabilitation services, training and housing, including initiatives targeted on homelessness and poverty among Aboriginal people and people with disabilities. However, there has been no systematic, cross-program learning. While there have been many individual successes, researchers have learned practically nothing of value for the system as a whole from the energy and dollars that have been poured into these initiatives.

It is possible to do much better. We already have a substantial and growing stock of common data and analytic tools. Considerable work is taking place behind the scenes in exploiting administrative data sources. Canada has long been a leader in developing dynamic microsimulation modelling. In its work in evaluating active labour market programming, ESDC

Basic Incomes: an alternative approach that will provide complementary evidence

The text argues for a gradual, empirical approach to reducing poverty based on systematic learning from many small pilots and experiments in the area of both poverty alleviation and poverty prevention. Ontario is taking a different approach by funding a large basic income pilot, also known as a Guaranteed Annual Income (GAI). This uses the top-down provision of point-in-time income transfers to alleviate poverty, leaving other programs to address the remaining non-income resource lacks. While the approaches are very different, they could also produce important complementary evidence.

The costs of moving to a GAI can be calculated in advance and could be high. What the Ontario pilot can

add is an empirical estimate of its direct and indirect benefits, including important longer-term effects.

In an ideal world, the resulting cost-benefit analysis of the 'big bang' GAI should be compared with the comparable costs and benefits of reducing poverty through the more gradual, multi-dimensional, bottom-up approach described in the text, particularly the costs and benefits of providing empirically-driven packages of information, services and income that are tailored to the needs and circumstance of different individuals.

The proposals in this paper point to ways of building the necessary base of evidence that would allow us to make these kinds of comparative cost-effectiveness calculations.

working in collaboration with the provinces/territories and external researchers, has quietly developed the [predictive analytic capacity](#)¹⁰ that can produce results similar to those achieved by traditional 'gold standard' random assignment techniques but that are vastly more powerful because they can be produced without the long time lags required by traditional experimental methods. These techniques hold the potential to be used in real time program administration, thereby allowing current interventions to reflect the needs and circumstances of particular individuals based on 'what is likely to work best' evidence. All these efforts however need a big push and additional resources if they are to move to the centre of the policy stage.

While it will take time to realize the full benefits of this approach, it will be possible to see significant improvement from year to year provided that we start small and measure carefully and consistently. Initial success stories will help build support for continuing collaborative development.

Accordingly the Panel suggests two main initiatives to improve effectiveness in reducing poverty. One is the development, already discussed, of the necessary data and analytic capacity but to also include funding for selected pilots, experiments and evaluations that use the new techniques. The other is to shape the consultative process and annual report, again already discussed, in such a way that it highlights the results of these smaller initiatives and builds support for gradually expanding their use.

In other words, we are suggesting that the most important change not be the creation of a new program silo or major reform to an existing one (although work along existing lines should, of course continue). Rather the key initiative should be to launch a process that will gradually lead to a new kind of programming, one that is driven not by periodic big reforms to the programs silos, but that will allow programs to gradually evolve based on ongoing evidence and that will allow many different programs to evolve in supportive, complementary directions.

7. Conclusion

This note began with two suggestions: first that the Canadian Poverty Reduction strategy avoid being captured by a futile search for the Holy Grail of a 'one-size-fits-all needs' single indicator of poverty and, second, that the scope of the Strategy be clearly defined at the outset.

In terms of indicators and measures, searching for a single income-based indicator of poverty:

- Ignores the multidimensionality of poverty.
- Results in discussions that focus on measurement controversies rather than issues of substance.
- Risks choosing sub-optimal policy solutions.
- Diverts attention from the real measurement challenge, namely the development of an underlying data base and analytic capacity that can explore the causes of poverty and that can provide the consistent dashboards of current indicators that are needed by the many actors throughout Canada who fight poverty.

In terms of the scope of the Strategy, one possibility would be to focus on the federal role in income security programming. That however has major downsides that would have to be compensated for by other means.

- One weakness is that income security deals with only one dimension of poverty alleviation and mainly ignores poverty prevention; both are important and choices must often be made between them. The federal government has a large role to play on both fronts and, at this stage, the payoffs from a greater focus on poverty prevention may be higher.
- The second weakness of a focus on the federal role is that it is only one of the actors in the income security system and its role can only be properly developed and assessed in the context of a pan-Canadian framework that takes account of the activities of other actors.

The other possibility, the one we advocate, is a strategy with a national or pan-Canadian scope that encompasses both poverty alleviation and poverty prevention, including both income security programming and the broad range of interventions that address other resource challenges and deficits, including housing, skills, addiction and disability supports. This broader approach would:

- Be consistent with current ways of conceptualizing poverty in human development terms – providing the resources that people need to in order to develop their capacities.
- Better reflect the diversity that exists among those who are poor, including the lack of multiple resources that are often not well proxied by income.
- Directly address the main problem with much existing anti-poverty programming, namely the rigidity of the policy silos that now exist both within an order of government and across the many actors in the system.

- Support the development of new and potentially more effective ways of addressing poverty through the construction of packages of services, information and income that are tailored to the needs and aspirations of particular individuals – using program instruments that automatically evolve based on evidence of what is working best.
- Support many promising initiatives, particularly those that use big data and predictive analytics, that are already underway – or that have been shown to work in smaller scale operations – but that need an extra push to move into the main stream.

The note expanded in some detail on two dimensions of the Strategy: the development of the needed data and analytic capacity and the characteristics of a supporting consultative process.

A strengthened data and analytic capacity is needed regardless of the scope of the strategy. It is a precondition for nearly all the other proposals in this note. Without it, the chances of making any significant reduction in poverty are slim.

The consultative strategy will be especially important if a broader pan-Canadian scope is chosen. Here we suggested an approach where the consultations would centre on the development of indicators and on the base of supporting evidence. This would provide a relatively neutral, empirical approach that would focus on real poverty issues with less risk of being side-tracked by jurisdictional issues.

The note then turned to a brief discussion of an area where the Panel has particular expertise, poverty as it relates to seniors. The next big issue here will almost certainly be ways of bringing the age of entitlement to public pensions in line not only with increasing life expectancy overall, but also with the turnaround and now important growth that is taking place in the employment rates of older workers, and doing so in ways that continue to prevent poverty among those people for whom a longer working life is not a viable solution.

The penultimate section took a longer view and showed how the suggestions outlined in the note are likely to lead to significant improvement in reducing poverty over the long term, as well as realising important and visible gains on an ongoing basis.

We would be most pleased to discuss anything in this note further, and to elaborate on any of the topics we have raised in this note.

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⁶ Experts Panel on Income Security of the, *Upgrading social policy research and advice: Modernizing our data, tools and practices to meet evolving and new challenges*. Forthcoming, The Council of Aging of Ottawa.

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⁹ Jackson, Andrew. *How expanding tax credits would help to lower our country's welfare wall*, Globe and Mail, November 29 2017. <https://www.theglobeandmail.com/report-on-business/rob-commentary/how-expanding-tax-credits-would-help-to-lower-our-countrys-welfare-wall/article37115549/>

¹⁰ Gingras, Yves, Tony Haddad, Andy Handouyahia, Georges Awad, Stéphanie Roberge. 'Making Evaluation More Responsive to Policy Needs: The Case of the Labour Market Development Agreements', *Canadian Journal of Program Evaluation*, 253 Volume 32, 2017 – Fall. <https://www.linkedin.com/pulse/making-evaluation-more-responsive-policy-needs-case-labour-gingras/>

EXPERTS PANEL ON INCOME SECURITY

THE COUNCIL ON AGING OF OTTAWA

The Council on Aging of Ottawa (COA) has been active for 40 years in support of the wellbeing of seniors, not only in the Ottawa area but for Canada generally. Income security for present and future seniors is a current concern and priority. To assist in this broad and complex area, in 2015 the Council convened an advisory panel of experts each of whom has contributed over many years to relevant policy research and development in Canada as well as abroad (membership listed below). This panel has been meeting regularly for two years now, analyzing issues affecting our pension programs and other aspects of Canada's retirement income system.

Our Panel has identified, and submitted to the federal government, concerns about the quality and availability of data, analytical models and relevant policy research relating to Canada's seniors. These concerns support the present government's priority that good government policy decisions should be based on solid evidence. The Panel has been discussing with Statistics Canada their data priorities and challenges, including their program of Statistics on Population Aging and Seniors.

In August 2016 the Panel made a submission to the Parliamentary Standing Committee on Finance arguing for a major enhancement to Statistics Canada's independence and resources, both to recover and improve needed support for policy research and development, including work to enhance the quality of life of Canadian seniors.

The group is also communicating actively with the Department of Social Development and Employment including the Minister, his office and senior departmental policy staff, in light of their important income security mandates and programs.

In Fall 2017, in partnership with the Ottawa Public Library, we are conducting a set of workshops on "Planning for Retirement on a Low Income," designed to assist public understanding of the programs, benefits and choices confronting lower income Canadians, and in particular those likely to be in the lower income category in their retirement years. These workshops follow the successful model in place for several years in the Toronto area, developed by John Stapleton, one of our Panel members. These initial Ottawa workshops will be evaluated to help determine if a more regular pattern of such events might be welcome and useful in the future.

For more information on The Council on Aging of Ottawa, please visit: www.coaottawa.ca

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