The Impending Grey Storm: Mobilizing to Address a Complex, Multi-Dimensional Policy Challenge

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The Impending Grey Storm

Something Worse than a Crisis

“This isn’t a crisis, yet. Actually, it could be worse than a crisis. Right now, it is a mess, and one that if not resolved will only get worse and then really become a crisis. We have all the evidence we need to do something but are too distracted with other problems to do this justice and get our act together, if it is our act at all. What can we do to move this file forward? The way I see it is that if we don’t get some coherence across sectors and actors, it will be the provinces that take the biggest hit in terms of health costs, social services and, and areas we don’t even know about yet.” Premier Lise Dupuis eyed her Ontario counterpart, Sanjit Frenny, if only to determine if this could be yet another of their great collaborations. So far, the relationship between the premiers of Canada’s two largest provinces had proved to be productive. They had eliminated their historical labour law disputes, thereby enabling the movement of construction workers between the two provinces. They had also come together on key environmental issues, thereby forcing a reluctant federal government to take some action, albeit begrudgingly and meagerly.
The two provinces had even begun work on reducing health care costs, as part of the Council of the Federation. In particular, Ontario and Quebec had initiated some joint work to push farther and faster on primary care delivery. However, and here is where the policy mess became more than a metaphor, the ground beneath their feet was shifting, and quickly. At a quarterly meeting of the two premiers, they received a preliminary analysis of what might soon become their greatest policy challenge – the aging population. Premier Frenny remarked, “I was struck by what Dr. Chris Simpson of the Canadian Medical Association said about this: something about the grey storm, calling it the paramount health care issue of our time. My concern, and why we need to do something, is that the health side is just one part of this Rubik’s Cube. And, he isn’t the only one calling for some kind of national strategy, whatever that might look like.”

**The Wave is On the Way**

The largest age demographic wave in the country’s history is already on the move. It has been characterized that as more of the aging baby boomer population enters retirement age and beyond, there will be greater demand placed on health and other services to meet the needs of that population. What this wave means in terms of public policy choices is difficult to summarize, let alone synthesize. A simple look at the numbers is not enough, even if they do begin to tell an interesting story. The population cohort born during the two decades after the Second World are going to be making significant decisions about its accumulated wealth, and their life choices and needs that will have profound effects on how governments respond, and ultimately on how society organizes itself. This cohort is leaving the workplace; it is becoming active and involved; it is needing and demanding sufficient healthcare over time; it is determined to stay healthy; and, it will eventually die, thereby leaving governments with another set of decisions to make. At each stage of their individual journey, what people in this cohort do and what they expect will affect some aspect of public policy.

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*Still a force to be reckoned with…*

“Zoomers account for almost 50% of household incomes of $200,00 or more, they buy more new cars (56%) than any other age group. They take more trips both inside and outside Canada. They purchase more electronic devices, and they contribute more to charities and the arts than any other age demographic. Zoomers vote the most often in elections at all levels and pay the most taxes.”
– Moses Znaimer, Founder of ZoomerMedia and President of CARP
What could this mean for public policy? Many things, but here are just a few to explain why the premiers are so concerned to explore this issue. There will be fewer taxpayers. There will be stress on pension plans. There will be many in this cohort who have not planned for their retirement. Many will want to work. Many will face age discrimination. Many in this cohort will live longer. And, this issue will place a great deal of stress on the already overwhelmed health care system.

Some important shifts have already begun, which speak to the challenge for policymakers. They are quiet shifts often with little notice. Already, in 2016, Canada has passed the point at which there are more people over 65 than there are under 15 years of age. The age cohort is now between 50 and 69 years old. It makes up 27% of the population, compared with 18% just 20 years ago. The cohort presently over 65 is twice as large as it was in 1971.

But it is the next decade when matters get interesting. To date, only 20% of the boomer population has reached that pivotal age of 65. By 2025, 20% of baby boomers will be over 65 and by 2035 the proportion increases to 25%.

![Graph showing the share of Canada's population over time](image-url)

THE GLOBE AND MAIL: SOURCE: STATSCAN / NOTE: ACTUAL TO 2015, THEN MEDIUM-GROWTH SCENARIO (M1) UNTIL 2031
The Economics

The retirement wave affects governments’ ability to raise revenues and provide services. The degree of that effect is unclear and, as noted throughout, treating this cohort homogenously, whereby each individual is seen as having the same capacities and interests, is ill-advised. In fact, targeted public policy interventions on a number of fronts could go a long way to stabilize and address such risks and turn these into an advantage. This will mean, for example, the need to increase labour market participation of older workers. It may also mean major changes to the way people access pension plans where some experts argue there are major structural reasons and incentives for boomers to take up these plans as early as possible.

Further, the boomer wave of departures has to be set into a broader strategy for labour market growth that takes into account immigration policies, and the development and full employment of indigenous peoples, who are in fact having a small baby boom of their own. In addition, there are incentives for older, capable workers to remain in the workforce in order to maintain economic progress.

As this transition takes place, issues of how to accommodate productivity challenges also emerge. For just as the older generation tries to navigate a different employment relationship and a younger generation moves in, major shifts are occurring with respect to the nature of the work that is being done. The advent of technology, big data, a shift to even more knowledge-driven industry represents a number of public policy challenges around barriers to access to work, impediments in terms of regulation and taxes to newer, more mobile companies and how governments deliver their services. All of this also links to education and professional training platforms for both generations. There will most certainly be demands placed on our schools to accommodate the older learner, the upcoming leaders, and the vitally needed immigrant and indigenous entrants.

“Regional programs for seniors and programs delivered by the area municipalities fit within a much larger system of government-funded services for seniors. This ‘system’ is complex and lacks coordination, with each level of government having diverse responsibilities and accountabilities.”
- from Report to the Regional Council of Peel on Aging, 2104
Where it Hits First: The Workplace

The most straightforward way to understand the aging issue and the changing workplace is to examine the challenge as to how to replace all those boomers who will be leaving the economy. Not since the departure of the Second World War veterans in the early 70’s has such a shift occurred. The effects will likely be felt in several ways. Some experts argue that this shift will lead to slower economic growth, with living standards stabilizing or declining. Others point to Japan as a society locked in slow growth due to a shrinking workforce attributable in large part to the aging population, lower replacement rate, and increased economic burden of an older and more dependent population. Japan and other examples are early warning signs that we will need to formulate policy sooner than later that addresses this correlation between growth and economic development.

Another challenge regarding the changing workplace is to find creative ways to ensure that the next generation is ready and willing to take over from the boomers. Much study has taken place that notes the differences in perspectives on the importance of work between boomers and subsequent generations. As time goes on, these differences will have important implications for public policy making. Optimistically, this shift could represent a golden opportunity for the younger workers to fill important roles, and move up quickly. However, there are major questions about their level of preparedness. Equally important, as boomers move out of the market quickly, it is anticipated that the loss of experience and skills will be significant. Some movies such as “The Intern” already envision, albeit through comedy, that major changes are on the way.

Finally, what about the fact that boomers are living longer and simply do not want to retire? How do these individuals remain relevant and useful to their organizations? In this regard, traditional hierarchically organized organizations may not be appealing. Flexibility in organizational structures, and the nature of work itself will be increasingly important. Governments and organizations will have to think carefully about this as it contemplates labour and other policies.
Another sub-group of this very diverse cohort may want to keep working but take their formal retirement, and then drop the term retirement for a more relevant term: rehirement. They may want to stay in the workforce either through personal preference or, because of their financial situation, necessity. How do organizations optimize and manage this? What about age discrimination in hiring practices, especially for those of retirement age who were recently downsized out of work, not because of performance but for economic belt-tightening reasons? Hardly yet tested are the many workplace rules that inhibit shorter workweeks and workplace flexibility. How does public policy make it easier for older worker to remain in the workforce? Why is Canada such a laggard, relative to various countries in Europe, in having more flexible pension plans and other solutions that accommodate work rather than inhibit it?

**Income Insecurity: Pensions and the New Poor**

Two elements emerge when looking at the boomer cohort as it reaches retirement: debt and pensions. To set the stage for these issues, it is essential to note how large and varied this cohort is relative to others. The attached label that it is the richest age demographic cohort in history is more than a bit misleading. It is accurate to say that this group comprises many members who enjoy or will enjoy defined benefit pension plans. Still others have defined contribution plans that are still a source of retirement stability. In addition, many own their homes thereby holding a valuable capital asset. Many will have added to other forms of savings, such as RRSPs that were designed to improve their standard of living into old age. But many other boomers have not made similar economic choices. They will rely entirely on the Canada Pension Plan and Old Age Security programs to get them through their old age.

Statistics Canada reports that in 2012, 70% of people aged 55 to 64 are carrying significant debt, an increase from 60% in 1999. The average debt level climbed to $107,900 from $60,600 in 1999 net present value. 33% of this age group still has a mortgage. 38% of the cohort holds significant credit card debt, and 29% hold vehicle loans. For those over 65, the proportion with debt has increased, and the debt load has doubled to $61,700.i

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**This bunch pushes boundaries...**

“As boomers, we have redefined almost every crucial life passage – from youth revolt to marriage and childbirth, from work choices to blended families. Our resolve to create completely new options and lifestyles during our “troisieme age” intensifies with every parent we place in a facility and with every friend we help through a serious illness. Yes, we are a “contrary” generation, but that’s not the only reason we want (actually “need”) to change things around.”

- Janet Torge, founder of Radical Resthomes,
It is also clear that, while the boomer cohort overall has accumulated almost $1.3 trillion in RRSP funds, many within the cohort have saved little. Indeed, the viscous circle of debt payments and the need to save for retirement has meant that there is a significant imbalance between the number of people with savings upon which to draw upon versus those with very little. As such, there will be a heavy burden placed on public coffers to care for those with little savings, or those with not enough to carry them while they age.

The Health Impacts

Premier Frenny made an important point in his discussion with Premier Dupuis: “Whenever we talk about this issue, we refer to the negative effects to the health care system. What strikes me is that the whole model of care for the aging is built on addressing sickness and debilitation. We have to think differently and move our systems to effect wellness and health. I do like that idea of “age in place” but it has a few nuances to think through, some of them quite radical.”

The first reality is that this population surge affects so many pressure points in the current system. The degree of collaboration and partnership among public and private organizations is mind-boggling. This is certainly a complex public policy issue that will require some creative thinking.

Intergenerational Tensions

Once this cohort reaches eligibility age, the impact on the Canada Pension Plan and the Old Age Security (OAS) will be considerable. Although the CPP appears to be in relatively good shape and is a contribution scheme, the OAS like all health services, is financed with current funds. That means that a younger generation of tax payers will have to carry a far greater burden, but with fewer numbers. You cannot take away from the fact that many of the aging cohort will continue to work or will be receiving some of the most generous defined contribution pensions ever created. They will be paying taxes, for a long time as well.

“A Canadian worker in 1950 who retired at age 65 could expect to live 4 years of retirement...An average worker who lived to age 65 in 1976 could expect to live for 16 years after they retired. In 2006, that same worker could expect to live for 23 more years after retirement.”
- Research Brief No 17: Rethinking Retirement, Centre for Population, Aging and Health, Western University

“2015 is the first year Canadians aged 65 and over outnumbered those who are younger than 15 years of age.”
Quoted in the IRPP Task Force on Aging, October 2015
The premiers pondered over what this burden mean to the younger population. Many already believe the current arrangements are unfair. To what extent will tensions reach the point when the pressures on public policy and administration will be needed to slow down the flow of these resources. Could it even become as macabre as the storming of an elderly care facility as described by Margaret Atwood in her short story “Torching the Dusties”ii that describes a world-wide movement by younger people to make their elders aware that it was, as their slogan declared, “Time to Go.” This dystopian tale ended with the burning of the facility. Although this story is not in anyone’s mind right now, it does speak to the point at which it will be too late to respond in a way that is rational and fair for everyone.

The Japanese Disease

The added draws on the public purse and the decreased number of active economic contributors threaten well-established assumptions about economic growth. Economists have begun to lower growth expectations, not just because of the slow recovery from the 2008 and beyond Great Recession, but because they now consider that an aging population is contributing to lower growth expectations. Although the “Japanese Disease” refers directly to that country’s difficulty recovering from a decade-long slump, the fact that Japan has the oldest population of the developed countries is suggesting a correlation. The September 2015 study by the Centre for the Study of Living Standards, suggested that lower growth of GDP will directly affect governments’ capacity to raise taxes at a time when it is expected that there will be more pressure on the health and revenue systems. The same analysis applies to the provinces and municipalities, as concurrent pressures mount there as well. iii

The Consequences of Inaction

This is a rich policy area, but it is also an amorphous one. As Premier Frenny said, it is worse than a crisis. A crisis has clear definition, invokes instant response and, hopefully, is sufficiently urgent to make people work together toward a common set of objectives, at least for a short while. This set of issues, deemed a “cluster” by Premier Depuis or a wicked problem by others, can be ignored as the urgency is disaggregated, responsibilities are disbursed and clarity about desired results are wanting. Although all of this is currently the case as our systems are absorbing the shocks to them, inaction or sporadic actions do not address the most basic of policy goals for a workable, sustainable and stable

“While CARP members welcome government initiatives to improve home care, the reality for too many is inadequate access and long wait times. If we want to fulfill the promise of home based and community care to avoid institutional care, then structural and funding changes are needed immediately.“
- Susan Eng Executive Vice-President
Canadian Association of Retired Persons

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healthcare system and economy, will have consequences for the country. The risks must be considered carefully as these cover a range of concerns for all governments at all levels. Part of the work of the group that the Premiers intend to institute will have to clearly articulate the economic, programmatic, social and health risks to both the individuals and the political and social organizations engaged in these areas.

Where’s the Policy Focus Here? Who does What? How does this come together?

This entire issue is a sleeper. As David Dodge, former Governor of the Bank of Canada and Chancellor of Queen’s University said, “We’ve known for a long time that this was coming. But it’s very hard to get everyone to move ahead of a potential crisis.” He might just as well have said that this is more than a few election cycles away, so grabbing attention is a real challenge. But, once one starts to focus on aging in Canada, who do you involve in the policy discussion? And, what exactly is the way forward?

In their discussions about this topic over several meetings, the two premiers decided that something had to be done sooner rather than later, even if others did not see it this way. They simply do not see themselves as being on the hook to take all the policy burden, let alone the expense and blame that would flow from many of the important issues. Premier Dupuis made a suggestion to Premier Frenny in an e-mail:

“What I am thinking is that we could give some leadership, at least some thought leadership to this issue. Everywhere I turn, I see reports on the effects of aging on systems. Even our municipalities are being affected But this issue, or this cluster of issues, requires that a lot of people must come together in order for there to be any coherence of action. Why don’t we ask our senior bureaucrats to bring together some of the brightest and best thinkers to propose a way forward?”

Premier Frenny replied:

“Good idea, but let’s be clear on this. We don’t want a bunch of one-off policies fixed in just the most pressing areas. This is as much a governance issue, if not more so. It seems we have lots of issues like that these days. Take a look at the infrastructure and security cluster, for example, to have any sense of how complicated and poorly managed it is. So, let’s get our people to scope out the issue in a coherent and communicable way and suggest a realistic way to move this forward.”

Premier Dupuis closed the deal with a final note:
“Bon, vas-y. But I am going to make it clear to my officials that we will not tolerate a simple upward delegation of this issue to the feds. They have a role, an important mind you, but it’s messier than that. I believe you and I have agreed that we do not fed bash any longer, except when we do! Anyway, national does not just mean federal. Let’s insist that we find ways to nudge all the players, not just the payers.”

“Those working in government today are the first generation of public servants with the responsibility of simultaneously addressing difficult, complicated and complex public problems. They are serving without the benefit of an up-to-date framework to support their decision-making and actions, and to help them to build the capacities they need to serve in this context.”
- Jocelyn Bourgon, *New Synthesis*

**The Case Challenge**

You are the group of the brightest and best public servants in the two provincial governments, who are being asked to carry out the wishes of the two Premiers. You will be reporting to a committee of four Assistant Deputy Ministers, two from each province, and a consultant asked by both to coordinate the collaboration. In each case, one ADM is responsible for intergovernmental affairs and the other is from a social policy ministry of their respective province. You will provide a synopsis of the issues and make suggestions to create momentum in a policy field that to date has only attracted modest attention.

Your briefing must be concise and comprehensive, and address the following issues:

- The nature and scope of the policy challenges;
- Identify those who are part of this policy mix and what their interests and capacities are;
- The scope of risks to each of the two provinces, and possibly the country;
- The risks inherent in responding and in not responding to this issue;
- Strategic options with preferred choice;
- Implementation suggestions for designing the process for moving toward your preferred approach;
- Issues of implementation and suggestion course of action (including financial implications); and,
- Issues of communication, and collaboration for all policy beneficiaries you have identified, and suggested courses of action for each of these beneficiaries.

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ii Attwood, Margaret, Stone Mattress, McClelland & Stewart, 2014