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SEMINAR ON STRATEGIC ISSUES IN BUSINESS STATISTICS

SESSION I: REDUCING RESPONDENT BURDEN

**THE MANAGEMENT OF BUSINESS RESPONSE BURDEN AT STATISTICS
CANADA**

Note by Statistics Canada

I. INTRODUCTION

1. Statistics Canada's mandate is to serve the information needs of all sectors of Canadian society, including all levels of government. As mandated under the Statistics Act, the department strives to develop and disseminate reliable and objective information that satisfies and anticipates critical needs - information that sheds light on major public policy issues and on the processes underlying social, economic and environmental phenomena in Canada. The department aims to promote the economic and social well-being of the country by providing a factual basis for better decision making by governments, businesses, institutions and individuals. In this role, it must aim to strike the best possible balance between the needs of society for good and timely information on the one hand, and the costs to businesses and other survey respondents of supplying that information on the other.

2. Statistics Canada has long been aware of the critical role that the willing cooperation of respondents plays in the functioning of an effective statistical system. As a consequence,

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minimizing response burden is part of Statistics Canada's values and culture and we make two fundamental commitments to respondents: the first is to protect the confidentiality of information provided to us; the second is to find innovative ways to reduce the time spent completing the surveys and to use existing information whenever possible to minimize the number, length and complexity of surveys.

3. The purpose of this paper is to provide an overview of measures taken by Statistics Canada (STC) to reduce response burden. While significant progress has been made, there remain many opportunities for further gains. Section II describes Statistics Canada's holistic strategy to manage business survey response burden, Section III highlights some of the accomplishment in this area and finally section IV presents the challenges ahead.

II. VISION: HOLISTIC RESPONSE MANAGEMENT OF BUSINESS SURVEYS

4. The cornerstones of Statistics Canada's holistic strategy to manage business survey response are based on the following five principles:

- (a) Foster good relationships with business respondents;
- (b) Use administrative data as an alternative to direct surveying wherever possible;
- (c) Design collection instruments in a respondent friendly manner and develop response mechanisms that make it easy for respondents to return statistical inquiries;
- (d) Develop and implement sampling and follow up strategies that take a holistic view of response burden and that are respectful to respondents and staff;
- (e) Ask for required data elements only once.

A. Managing relationships with businesses

5. Understanding that different types of respondents should receive different levels of intervention and having learnt the value of employing an 'enterprise-centric' approach to managing relationships with important, complex data providers, STC has embraced a response management strategy that divides its business respondents into four tiers based on size, complexity and importance to survey estimates. Thus segmented, different response management approaches have been developed appropriate to the relative contribution of the segment. This allows STC to target resources to the areas where it stands to achieve the greatest return on investment.

6. Tier I represents Canada's 300 largest, most important businesses and is managed through an Enterprise Portfolio Management (EPM) Program responsible for organizational profiling, survey reporting arrangements and formal agreement on expectations from both parties, issue resolution, data collection and coherence analysis.

7. Tier II represents businesses that are smaller or less complex than Tier I but still significant in developing accurate measures of the activities of individual industries. A Strategic Response

Program deals with response issues with businesses within this tier. This program aims at helping strategically-identified delinquents below the EPM level to respond to STC's data requirements.

8. Tier III includes more medium-sized businesses, those that form the bulk of survey samples. Here STC continues to concentrate on reducing reporting burden by reducing sample sizes through the use of tax data. In these instances, administrative/tax data may be incomplete but we are willing to make the trade-offs. Contact is primarily handled by the Agency's central collection area. Response rates are managed through the use of a collection management tool that prioritizes collection units. Complaint resolution is handled by a Respondent Relations Team.

9. Tier IV represents the smallest businesses which are excluded from collection; for these STC relies entirely on tax information.

10. Statistics Canada also established the office of the Ombudsman for Small Business Response Burden in 1997 as a tangible measure of STC's commitment to minimize the cost incurred by businesses in recognition that new data initiatives would increase form-filling burden. The Ombudsman for Small Business Response Burden addresses complaints relating to excess burden. The Ombudsman is viewed as being the recourse of last resort for complainants, and it is expected that other areas in Statistics Canada would have first tried unsuccessfully to address the problems raised. The complaint resolution infrastructure implemented at Statistics Canada is very successful and the number of complaints that make their way to the Ombudsman's office is low (less than 10 annually). The general nature of the complaints is usually the number of surveys received by a small business or the length of time they are asked to participate in a survey. The Ombudsman is expected to render rulings that are fair, balanced and impartial, and not to simply reinforce operational requirements. The Ombudsman's office also works closely with associations like the Canadian Federation of Independent Business in dealing with complaints from the small business community.

B. Use of administrative data

11. Statistics Canada's business statistics program is amongst the world leaders in the use of administrative data and great strides have been made on this front. Response burden reductions are achieved mostly by making use of administrative records from the Canada Revenue Agency (CRA) to replace statistical data collected via survey questionnaires. Until the early 1990's, STC grew up around the traditional surveys and making effective use of administrative data was difficult. Having administrative information available in digital form has greatly increased the use of it for survey replacement, imputation, modeling and allocation.

12. The legal entity is the basis used by enterprises to establish their operations and carry on business in Canada. The legal entity is the central unit for the newly redesigned Business Register (BR) at Statistics Canada and the legal information is obtained for every business from their registration with CRA. Once these legal entities are identified and added to the register, ownership relationship and additional operating entities are derived, where appropriate, to obtain an integrated structure that corresponds to the way the business is organized to conduct its activities.

13. Integrating these files represents one of the most important benefits of the redesigned BR project. In addition to providing a complete description of the structure of the enterprise, the legal units as the top parent of complex businesses, are updated on a monthly basis with the most recent taxation data. The immediate benefit is that the financial variables are updated as well as changes to the legal status. These changes are then reflected on the survey frame immediately. This approach also allows identification of businesses where their administrative data has changed substantially and for which a profile of their operating entities is required. This makes profiling work more efficient by targeting structures that are most in need of a profile. The adoption of this integrated structure facilitates the usage of taxation data to replace survey data for complex businesses.

14. The CRA information of greatest value for statistical purposes is income tax and payroll remittance records for unincorporated and incorporated businesses. For monthly and quarterly surveys, administrative files from the goods and services tax (GST/HST) are being exploited. For the monthly Survey of Employment Payrolls and Hours (SEPH), information on the total gross monthly payrolls and the total number of employees for the last pay period of the month from the CRA payroll deduction forms completed by employers is used extensively. International Trade customs based trade data are derived from the administrative records of the Canada Border Services Agency (CBSA) and the United States Custom's Border Protection (USCBP). In addition to the use of taxation data, Statistics Canada uses regulatory railway data from Transport Canada, air fare tariff and licensing information from the Canadian Transportation Agency, Canada Border Services Agency Advanced Commercial Information marine commodity origin and destination data, provincial and territorial vehicle registration files to name a few.

15. A research project intended to determine the feasibility of replacing respondent-provided farm financial data with tax data in the 2016 and future Censuses of Agriculture, with the goals of reducing response burden and improving the quality of farm financial data is currently underway. Tax data replacement would significantly reduce respondent reporting burden on the most burdensome and sensitive part of the Census of Agriculture questionnaire.

16. Yet, there remain opportunities to increase the use of administrative data but much more "prospecting" is needed before we can concretely include them in the scope for further gains. Investment and activities of multinational firms, records that businesses supply to regulatory bodies such as the Toronto Stock Exchange, transactions involving the use of electronic funds transfer (retail trade and purchases of some goods and services from abroad and scanning data), private sector administrative data, such as credit card company and bank data on purchases and sales, and bar code pricing data in connection with the Consumer Price Index are possibilities which will be explored. Provincial and local government administrative data on real estate valuations, infrastructure characteristics and environmental conditions have recently started being used by program areas. As the world generally, and Canadian businesses in particular converge on harmonized accounting practices and common software conventions such as XML, the opportunities to exploit administrative data can only increase.

C. Collection instruments and questionnaire design

17. It is becoming apparent that businesses, like households, are demanding user friendly data return facilities. For a number of reasons, efforts to date have been met with limited success. A two tiered strategy has recently been developed to offer businesses safe, reliable and user friendly mechanisms to report to STC via the internet.

18. Another aspect in the area of collection instruments relates to the design and testing of questionnaires. A key component to using administrative data was the requirement to align survey questions with those elements in business financial accounts. Referred to as the Chart of Accounts (COA), this involved mapping data elements in the financial records of businesses into STC's requirements for the production of the national accounts. For collection purposes, it provides a menu of standard accounts and definitions to be used in selecting survey questions and designing the content of business surveys. This work continues to evolve and remain current so that all program areas can readily extend the use of tax data. Finally, any new or substantially changed questionnaires must be thoroughly tested with a small sample of respondents before being put into more general use.

D. Sampling and follow-up strategies

19. Statistics Canada's holistic approach has served us well in terms of communication and burden reduction efforts. But, as with other initiatives, there remains room for improvement. One area relates to managing sampling strategies through time and across survey instruments.

20. Current practices develop samples survey by survey and for the most part, without regard to the number of surveys a business might fall into. Additionally, sample rotation and in-sample "vacations" are not part of STC's methodology. In order to extend response management strategies to consider these elements in sample design, it would be necessary to ensure that all business surveys use the Business Register as the sampling frame. While close to realizing this, there remain a few surveys that could and should be linked to the register so that these strategies can be exploited.

21. Another element of the vision pertains to follow up strategies. Presently, a significant portion of survey collection budgets is directed to non response follow up. Most business surveys (and all core business surveys) are mandatory under the Statistics Act, yet STC has rarely prosecuted a firm for non compliance. To do so requires considerable coordination efforts and expense, as a case must be developed that will stand up in court and the offending business must be given ample opportunity to comply. Efforts at escalation have been hampered by the lack of a formal escalation strategy on the one hand and by deficient response management tools on the other. This is an area that STC is presently working to improve.

E. Ask for data element only once

22. The fifth and final cornerstone of the vision is to ask a question only once, effectively placing the burden on Statistics Canada to piece together the information supplied by respondents. Today's practice is to ask similar questions on many survey instruments, due in large measure to the fact that no internal mechanisms exists to share data collections across

surveys. We can and should do better. A survey response data base created by linking collected data would enable the sharing of data and increase data quality by facilitating verification of coherence across survey programs. This approach would also have the additional benefits of reducing survey content across collection instruments and of making micro data more fit for use by internal and external analysts.

III. ACCOMPLISHMENTS

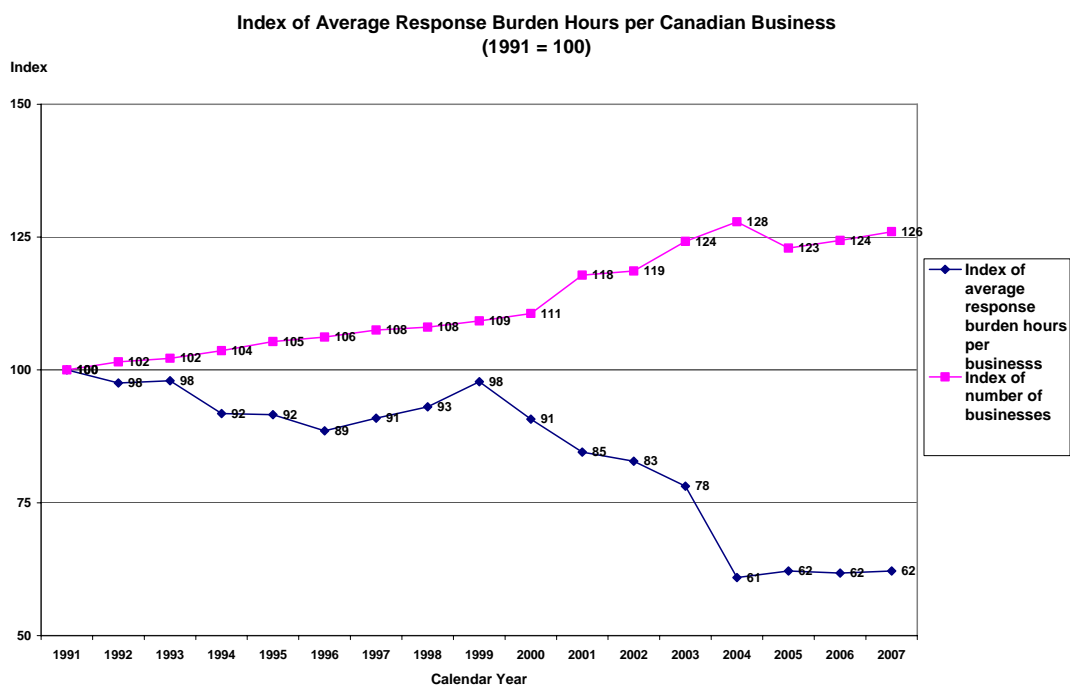
A. Annual measurement and reporting of response burden

23. The amount of response burden imposed on Canadian businesses has been measured annually since 1991. Statistics Canada defines response burden as the total hours imposed on businesses to complete STC surveys. It is a quantitative estimate of total response burden hours calculated annually as the product of:

- (a) The frequency of each survey;
- (b) The average time it takes a business to complete the questionnaires; and
- (c) The number of surveyed respondents.

24. High-level aggregate results are published in the agency's annual *Performance Report* to Parliament. More detailed data are used within the agency to monitor progress and develop strategies towards reducing business survey response burden.

25. Response burden increased in the mid to late 1990s due primarily to the introduction of a comprehensive annual economic survey program, but fell subsequently at the turn of the century. Statistics Canada's increased use of administrative data coupled with a simplification of the content of a number of survey questionnaires was primarily responsible for this. While the number of businesses in Canada has increased by 26% since 1991, the average burden placed on each Canadian business by Statistics Canada has declined 38% over the same period. Small business saw a decrease of 40 % over the same period.



B. Survey of regulatory compliance costs

26. Statistics Canada also conducts a triennial Survey of Regulatory Compliance Costs. It provides benchmark data on the current cost of regulatory compliance for small and medium-sized businesses in meeting key information obligations that are the responsibility of various levels of government (municipal, provincial and federal). It focuses on administrative compliance requirements such as completing forms and reporting information for a variety of tax and regulatory purposes.

27. The results of Statistics Canada's Survey of Regulatory Compliance Costs published in 2006 showed that Statistics Canada's mandatory surveys, one of the 11 information obligations included in the survey, represented only 2.3% of the total government compliance cost. This is the second lowest compliance cost among the eight regulations covered by the survey that are the responsibility of the federal government.

C. Reducing the level of detail on questionnaires

28. Statistics Canada has also been taking measures to streamline the content of business surveys. The content of survey questionnaires is regularly reviewed with help from focus groups comprised of business representatives and at times industry associations. Statistics Canada also works with the Canadian Institute of Chartered Accountants to align survey content with business accounting standards. Some recent highlights of content reductions include:

- (a) The average size of the Unified Enterprise Survey, STC's annual economic survey, has dropped from 556 questions in 2002 to 94 questions in 2007;

(b) The *Quarterly Survey of Telecommunications* was simplified (from 101 to 53 questions) in 2007;

(c) The *Research and Development in Canadian Industry Survey (RDCI)* questionnaire was reduced from 342 cells in 2004 to 243 cells for reference year 2006.

IV. CHALLENGES

29. The use of tax data and the resultant advantages for managing the response burden are obvious. We do not question the approach's substantial value in preserving and strengthening relations with the respondent community. However, there are serious consequences that such a strategy has for the technical infrastructure, the work environment and the relationship with users.

30. Expanding the use of administrative data has had the immediate effect of substantially increasing the complexity of the methodologies, procedures and systems that support statistical programs. In addition to a methodological component based on sampling, which is often complex, the use of administrative data adds another functionality to programs. The latter now rely on a methodology and sources that make them hybrid programs, programs that use both survey and administrative data. This increased complexity has significant operational ramifications for employee preparation and training and for relations with data users.

31. A more complex environment necessarily makes things more cumbersome and elevates the risk of problems since processes involve more steps and possibly more potential sources of problems. Each refinement of the methodology makes the systems more complex. This results in the need to invest in knowledge management and sharing, staff training and development, as well as documentation. This is especially important in a situation where staff turnover is high. Extreme prudence must be taken in running operations and ensuring that verification and quality assurance processes are in place.

32. The reliance on administrative data from outside agencies makes Statistics Canada somewhat vulnerable. One, legislative changes affecting these data sources can have a significant impact on survey processes. Second, the quality assurance framework must ensure the same level of quality from administrative sources as from survey sources. Finally, strong partnerships must be fostered with these agencies to ensure that we are kept informed and are part of the decision making process affecting the administrative data used by Statistics Canada.

33. While the economic statistics program is making greater and greater use of administrative data such as the corporate income tax file, nevertheless the base of the program continues to be the collection of more than 200 monthly, quarterly and annual business surveys. The success of these surveys depends on the willingness of business respondents to provide us with their information.

34. The biggest threat to the business statistics program is the growing reluctance among respondents to provide data through traditional survey questionnaires. Respondents expect a more co-coordinated, integrated and unduplicated approach to data collection. Their good will can only be secured and maintained if Statistics Canada is well aware of the survey burden it is

imposing on each individual business and does its best to manage that burden in a reasonable and equitable manner. Business respondents are looking to respond electronically in a user-friendly environment. They also appreciate that we use their tax data. STC must understand the total data needs and deal with companies in an integrated way (from the companies' perspective), instead of one survey at a time.

35. This requires a change in the way Statistics Canada interacts with businesses.

36. At present, Statistics Canada does not have an effective mechanism to monitor and control business survey burden at the level of the individual business. This is a severe handicap, but it can be overcome if all business surveys are connected up to the business register. Statistics Canada must also examine various statistical methods for coordination of samples from different surveys. The challenge will be to improve surveys and make better use of tax data. As the use of tax data increases it may be necessary to develop protocols on how to contact businesses with questions related to their reported tax data. This is a very delicate area that requires the maintenance of a fine balance between the objective of reducing response burden and that of not being perceived to infringe on companies' sensitivities by using their tax data for statistical purposes.

37. In addition, a number of other steps are being implemented to improve relationships with business survey respondents. A program of regular visits by Statistics Canada executives to important business respondents is now under way and through this means we expect to understand better the constraints that businesses are facing and at the same time to build on our reservoir of trust and good will.

38. Statistics Canada recently created a new governance structure to oversee the management of response burden. The Senior Management Committee on Business Response Burden is responsible for providing strategic direction and coherence in the management of business response burden and will address horizontal issues related to response burden. The committee will focus on the review and actions that would provide immediate burden reduction and will promote awareness and consistent application of best practices across all business surveys.

39. Statistics Canada is proud of its accomplishments to date in minimizing survey burden and will continue to strive to balance effectively the information needs of Canadians against the burden that meeting those needs imposes on business respondents.

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