

***Making Work Pay* Symposium**

November 15–16, 2005

Social Research and Demonstration Corporation

The Social Research and Demonstration Corporation (SRDC) is a non-profit organization and registered charity with offices in Ottawa, Vancouver, and Sydney, Nova Scotia. SRDC was created specifically to develop, field test, and rigorously evaluate social programs. SRDC's two-part mission is to help policy-makers and practitioners identify social policies and programs that improve the well-being of all Canadians, with a special concern for the effects on the disadvantaged, and to raise the standards of evidence that are used in assessing social policies and programs.

SSP is funded under a contributions agreement with Human Resources and Skills Development Canada (HRSDC). The findings and conclusions stated in this report do not necessarily represent the official positions or policies of HRSDC.

Copyright © 2006 by the Social Research and Demonstration Corporation.

La version française de ce document peut être obtenue sur demande.

Contents

Introduction	1
Background	1
Lessons Learned	1
Opening Remarks (Andrew Treusch)	5
November 15 Plenary Sessions	7
John Greenwood	7
Charles Michalopoulos	11
Glenda Quintini	13
Break-Out Sessions	15
David Card	15
Jeremy Lise	18
Lisa Gennetian	20
Doug Tattrie	23
Marianne Bitler	26
Chris Robinson	29
Philip Robins	32
Wendy Bancroft	34
Chris Riddell	37
Jorgen Hansen	40
November 16 Plenary Sessions	43
Robert Moffitt	43
Doug Scott	45
Don Norman	48
Robert Bruce	50
Susan Williams	53
Serge Hamel	55
Karen Glass	57
Where Do We Go From Here? A Roundtable Discussion	59
Closing Remarks (John Greenwood)	63

INTRODUCTION

The *Making Work Pay* Symposium was held in Ottawa on November 15th and 16th 2005. The symposium was funded by Human Resources and Skills Development Canada (HRSDC) and organized by the Social Research and Demonstration Corporation (SRDC).

The aim of the symposium was to combine research findings and practical experience to help policy-makers design programs that encourage work while providing income support. With that aim, the symposium heard about practical experiences and programs of a number of Canadian provinces in their ongoing efforts to make work pay. In addition, several leading academic researchers presented research that used data from Canada's most famous social policy experiment — the Self-Sufficiency Project (SSP).

The symposium was the final major event of SSP. This world-famous randomized social policy experiment gave a temporary earnings supplement to single parents on welfare who found full-time work within one year. The project demonstrated that this financial incentive could increase employment and earnings while reducing income assistance receipt and poverty. SSP was also notable for its rigorous level of research.

BACKGROUND

The dilemma of welfare policy is that giving money to the poor can often decrease their incentive to work and attain self-sufficiency. This is particularly true if the jobs available to them offer low pay — in some circumstances less than the welfare benefits they are eligible to receive. This concern has led to a gradual shift in policy focus to the provision of “in-work” benefits. During the 1980s and 1990s much of the focus of welfare reform efforts was on single parents — usually women — who made up a growing proportion of the caseload. Among a large number of reforms and new programs were efforts to make work financially attractive. SSP was one such initiative.

Reforms progressed at varying rates in Canada, the United States, and elsewhere. Major federal milestones in Canada include the introduction of the National Child Benefit and, potentially, the Working Income Tax Benefit (WITB) that was announced on the eve of the symposium. Many provincial governments have also been active with major ongoing initiatives in such provinces as British Columbia, Alberta, Saskatchewan, Ontario, and Quebec.

LESSONS LEARNED

The symposium provided an extensive number of lessons learned about making-work-pay programs, program operations, and a variety of topics from academic researchers.

Making-Work-Pay Programs

- **Making-work-pay programs are successful, widely accepted, and diverse.** They have been proven to promote employment. They have been implemented in Saskatchewan, Quebec, Alberta, the United States, and around the world. The

programs include earnings supplement programs and tax credits but also housing subsidy programs and health and drug programs.

- **Provincial governments sometimes disagree on some traditional making-work-pay strategies.** The British Columbia government believes that welfare earnings disregards encourage welfare dependency and has eliminated them. In contrast, Ontario has made its earnings disregard more generous.
- **Marginal Effective Tax Rates, which include taxes and benefit clawbacks on extra earned income, are high in Canada but not as high as in most OECD countries.**
- **Financial incentive formulas should be simple and communications should be clear.** Intended beneficiaries must understand the benefits of the program if they are to act on the incentives being offered.

Program Operations

- **Transforming an “income-support” department into a “work-oriented” department often requires a profound shift in the skills and expectations of staff, clients, and society.** This “cultural” shift is difficult to understand, predict, and measure.
- **Inadequate resources or poor policies can impede the attainment of stated policy goals.** For example, employment plans and job-search requirements may exist only on paper without adequate resources. Policies that relieve clients of responsibility can encourage dependency.
- **Some provinces have chosen to subcontract service delivery to non-governmental agencies in either the profit or non-profit sector.** These service delivery organizations can be successful in some cases. However, determining and measuring criteria for success and performance-based compensation can be challenging.
- **There is an increased emphasis on job retention for clients who use welfare frequently and for clients with multiple barriers to employment.**
- **Program take-up will increase if the program is made simple and convenient to use.** A single point of service for multiple programs or consolidated application procedures should be considered.

Research

- **Random assignment social policy experiments can provide rigorous research on important policy questions.** Economic “micro-simulation” models can provide answers to questions that social experiments cannot, but their results are sometimes sensitive to the assumptions that are made.
- **The average benefits of a program can conceal large differences in benefits among subgroups of participants.** Policy-makers should look at the distribution of benefits of a program as well as the average benefit.

- **Long-term welfare recipients who are single parents typically engage extensively in upgrading their skills and formal educational attainment.** Earnings supplements and other measures to move people into jobs quickly may reduce their formal educational attainment.
- **Making-work-pay programs may have small positive effects on young children but may have small negative effects on adolescents.**

It is hoped that these lessons will help inform policy-makers who wish to adapt other income support programs — Employment Insurance, Workers' Compensation, income support programs for persons with disabilities, and the Canadian Pension Plan — to increase their ability to make employment pay.

In the medium term, Canada faces an aging workforce and increasing competition for highly skilled labour. Rising wages during this period will increase labour force participation among those groups who currently have a relatively low expectation of participation. Adapting making-work-pay strategies in the context of other income support programs may expand labour force participation further. Bringing about a “cultural shift” in attitudes towards work among low-participation groups would expand the workforce even further. How to implement such a “shift” is poorly understood, but it seems reasonable that it would have a better chance of success if labour market participation was incorporated as a goal in virtually all social programs. There is the possibility, but not the certainty, that the cumulative effect of this reorientation of programs — reinforced by communications and regulatory efforts — may be able to produce substantially larger effects than the results associated with changes to individual programs might suggest.

OPENING REMARKS

Andrew Treusch is the Assistant Deputy Minister, Strategic Policy and Planning, of the new department of Human Resources and Skills Development Canada (HRSDC).

Treusch said good evidence is the foundation of the policy process. The Self-Sufficiency Project (SSP) has been funded by the government of Canada — approximately \$71 million over a 13-year period with the objective of striving for excellence in research. He praised the important role of researchers and the governments of New Brunswick and British Columbia in the SSP experiment.

Treusch said SSP is an exceptional research study that was also an enormous undertaking. “Countless research articles have been written and are still being written to help disseminate and analyze the findings. This is very impressive,” he said. He praised Social Research and Demonstration Corporation (SRDC) Executive Director John Greenwood, SRDC Principal Research Associate Reuben Ford, and the SRDC team for their determination in completing SSP. “SSP provides policy practitioners with some real clear thinking on some of the policy challenges that they continue to wrestle with today and in the future,” he said.

Treusch then turned to the topic of human capital and the agenda of the government of Canada. The economy and the labour market have been performing extremely well. However, Canada faces new and severe challenges in the next 40 to 50 years from aging demographics, the relentless change in technology, and fierce global competition coming from new sources, he said.

He called for an economy based on ideas, resourcefulness, and brainpower. Employees need ever rising levels of skill and opportunities for lifelong learning in order to be adaptable to the changing demands of the workplace. He warned that three quarters of the job openings will come from retirement as opposed to economic growth within the next 10 years. Youth cannot be depended upon to fill this gap as they did in the last half of the 20th century, he said.

Nor can Canada rely solely on foreign recruits, he warned. Canada can increase its immigration to some extent but faces increasing competition from international markets for engineers, scientists, and other professionals. He noted that some qualified individuals will be less motivated to move to Canada as they have rapidly growing opportunities in their home countries. “Clearly we have much left to do to improve our track record on settlement and immigration,” Treusch said.

He said Canada will need to turn to increasing productivity to maintain strong growth in its standard of living. Canada has a labour productivity gap of 20 to 25 per cent relative to the United States — a gap that has widened since 2000. The jury is still out on whether this is a trend or not, said Treusch.

Treusch praised some aspects of Canada’s educational record but noted important challenges. About half of the workforce lacks literacy and essential skills and could be victims of a changing, knowledge-based economy. There are key gaps in literacy, numeracy, computer, and communication skills among working-age adults. In the past decade Canada

has not improved the proportion of people who fall below the minimum necessary standards of education for a knowledge economy. The only solution is to provide all of our population with greater opportunities and more effective tools for adult re-skilling and lifelong re-learning, he said.

Treusch said government needs to develop an agenda that puts the development of human capital at the front of its social and economic agenda. "I am the first to admit that we have been slow off the mark," he said. For the past few years, programs and services could be faulted for the exclusive targeting of the unemployed without enough attention to the entire labour force, he said.

Treusch said the learning and employment systems should be better aligned so that they can meet future labour market needs. He pointed to the need to serve disadvantaged groups at risk of being left behind. "We have to determine whether learning programs, employment-adjustment programs, and income support programs are working together to encourage the flexibility that we need in our labour markets while providing real opportunities to Canadians regardless of the starting point of their income and skills levels. So, we need to strengthen lifelong learning, invest in our workforce, increase labour market mobility and flexibility, and promote fuller participation in the labour force," Treusch said.

He saw these themes in the economic update tabled by the Minister of Finance on November 14, 2005. He said the update contained very large investments in skills and learning, including investments for learners, learning institutions, adult re-skilling, and the inclusion of populations facing particular barriers and obstacles.

Treusch said HRSDC's mandate is to promote a well-functioning labour market. "We see employment as the primary means by which individuals participate in society and gain economic security for themselves and their households. To this end, we will be continually promoting policies that enhance and upgrade the skills of workers, increase the skills of Canadians in the workforce, and also try to ensure that the skills of workers are better aligned with the demands of the labour market."

Treusch concluded his remarks by stressing the importance of research and commending SRDC for its excellence in labour market research.

NOVEMBER 15 PLENARY SESSIONS

John Greenwood is the Executive Director of the Social Research and Demonstration Corporation. He spoke on the Self-Sufficiency Project (SSP).

Greenwood said giving money to poor families necessarily means that there is less incentive to seek work, particularly for jobs that do not provide them with sufficient income to support themselves. Therefore, there is increasing attention to programs that ensure work is rewarded. SSP is one such program, he said.

SSP was targeted on those who are caught in the “welfare trap” — people who want to work and could work but who do not want to make their families economically worse off by leaving welfare for low-wage jobs. SSP demonstrated that a make-work-pay strategy can work, Greenwood said. It produced the largest employment gains of any rigorously evaluated program. It can be even more effective if combined with other programs and services. It has positive effects on young children. There is little cost to government if the earnings supplement program is well-designed, Greenwood said.

SSP offered a generous earnings supplement to single parents who were long-term welfare recipients living in New Brunswick and British Columbia. Participation in this social experiment was voluntary. In order to qualify for the supplements, those who were assigned to the program group had to leave welfare for full-time work within one year of receiving the offer. Those who qualified received a supplement equivalent to half the difference between a participant’s actual earnings and a benchmark level initially set at \$30,000 in New Brunswick and \$37,000 in British Columbia. This benchmark reflected the average industrial wage in each province, and the formula had the effect of roughly doubling what someone would receive either from welfare or from working full time in a minimum-wage job. The benchmark was increased in line with inflation. Supplement payments could be received for up to three years in months when a participant was working full time. If employment stopped, the supplement stopped, but it would be restarted as soon as the person returned to full-time work within the three-year window of eligibility.

The operational phase of SSP was from November 1992, when the first quarterly intake of sample members was recruited, until December 1999, when the final supplement payment was made. The sample was recruited in the greater Vancouver–lower mainland area of British Columbia and roughly the southern third of the province of New Brunswick. In all, about 9,500 single parents were enrolled in the study.

Greenwood said SSP consisted of three linked studies. The main Recipient study recruited 5,700 participants in New Brunswick and British Columbia. About 36 per cent of the program group received at least one SSP payment. Among those who did, most made extensive use of the supplement and received an average of more than \$18,000 over three years, Greenwood said. Among those who did not take up the supplement offer, the most commonly cited reasons were either a self-reported inability to find full-time work (43 per cent) or personal or family responsibilities (15 per cent).

Employment in the program group increased rapidly immediately after random assignment. The difference between program and control full-time employment rates —

SSP's impact — peaked in Month 13 (after which no additional eligibility for SSP supplements could be established). At that point SSP doubled the full-time employment rate of these long-term welfare recipients, raising it by 15 percentage points to a rate of 30 per cent.

The employment impact then gradually declined so that by Month 52 the difference was no longer statistically significant. It is important to note, however, that the full-time employment rate of the program group held steadily throughout this period. The decline in the impact is primarily due to the control group catching up over time. In essence, then, SSP helped this population of lone parents accomplish in 12 months what it would have taken them four and a half years to do on their own — reach a full-time employment rate of 30 per cent. Although the impact was not sustained beyond that point, this acceleration of entry into the full-time workforce produced a substantial additional amount of employment among this population, Greenwood said.

Given the employment effects, it is not surprising that SSP also had large impacts on welfare receipt and on earnings. SSP decreased welfare receipt by 13 percentage points in Year 2, but, similarly, the effect diminished slowly to 3 percentage points by Year 5. Average monthly earnings increased by \$100 in Year 2 and were no longer significant by Year 5.

Putting money into the hands of low-income families also had an anti-poverty effect, Greenwood said. At least while supplements were being received, family incomes increased significantly, and the majority of those income gains was associated with the work effort of participants and the earnings gains that were leveraged by the supplements.

Raising the incomes of the low-income families reduced the proportion that had incomes below Statistics Canada's low income cut-offs, increased the likelihood that they would be able to set money aside for the future, reduced reliance on food banks, and resulted in increased spending on basic needs.

Finally, a benefit–cost analysis estimated that there were significant gains to participating families (over \$5,200 per program group member) and to society (almost \$2,600 per program group member). However, there was a net cost to the public purse of about \$45 a month per program group member (although the Applicant study findings suggest this result could improve over time), Greenwood said.

The Applicant study in British Columbia enrolled of 3,315 people at the point when their applications had been approved. Half were told about SSP and were advised that they would be eligible if they remained on welfare for a year. The other half were not told about SSP. This was a test of whether they would remain on welfare for one year in order to receive the supplement as well as an assessment of SSP's effects on a group who had spent less time on welfare.

SSP caused only 3.1 per cent more program group members to stay on welfare for one year in order to qualify for the subsidy. Of those who stayed on welfare long enough to qualify for SSP's earnings supplements, about one in two moved into full-time work in the following year and received a supplement payment (compared with one in three in the Recipient study group). On average, supplement “takers” received \$20,000 in supplement payments.

The peak full-time employment impact was about 12 percentage points, slightly lower than in the Recipient study. However, this impact was sustained over a longer period of time. By Month 71, it was still four percentage points higher in the program group. Average earnings of program group members had risen to \$10,500 by Year 3, which was \$2,400 more than for control group members. Although the earnings impact declined thereafter, it was still statistically significant in Year 6, the final year of follow up.

The benefit–cost analysis with the Applicant sample showed that supplement payments and welfare benefits combined cost \$2,100 more per program group member than paying welfare alone. When the increased tax receipts and program administration costs are included, the net cost to government was about \$10 per month per program group member. In return for this small cost, the social benefit–cost analysis estimated a net benefit to society of almost \$7,000 per program group member.

A comparison of Applicant and Recipient study results shows that applicants worked more and earned more, and SSP was a more efficient transfer mechanism among applicants. The net cost to governments was about 10 cents per dollar gained by those in the program, compared with an estimate of 67 cents per dollar gained by those in the Recipient study program group.

It is also interesting to think about what these two studies might imply if an SSP-like program were to be implemented. Initially, if supplements were offered to all single parents who had been on welfare for at least a year, those who would be eligible would look more like those in the Recipient study. Over time, however, all of the stock of those who were originally eligible would have received the SSP offer; those who would receive offers in the future would be those who had just reached their 12-month mark on welfare — that is, they would look more like those in the Applicant study. This suggests that over time program impacts would strengthen and the cost-effectiveness of the program would improve, Greenwood said.

The SSP Plus study was a relatively small component added on during the final few months of SSP enrolment in New Brunswick. In addition to the financial incentive, SSP Plus program group members were offered employment-related services, such as help in preparing resumés, spots in job-finding clubs, job leads resulting from cold calls made to employers by program staff, and post-placement job coaching.

These services had the effect of significantly increasing the proportion of those in the program group who left welfare for full-time work. However, initially the job-loss rate was also higher. Early SSP Plus reports suggested that there was little evidence of any incremental impact from the services. However, later on, beginning about Month 33, the full-time employment rate of those in the SSP Plus group began to show an increase over not just those in the control group, but also over those in the financial-incentives-only group, and this improvement was maintained through to the end of the follow-up period, Greenwood said.

As in the main Recipient study, control group employment caught up to the employment rate in the supplement-only group. However, SSP Plus was still producing a statistically significant impact of about eight percentage points on the full-time employment rate at the end of follow up half way through Year 5.

SSP Plus also had a larger impact on earnings than the offer of financial incentives alone. Over 52 months, those in the SSP Plus program group earned almost \$7,000 more than those

in the control group and over \$3,200 more than those in the regular supplements-only program. These higher earnings resulted from a combination of working more and having more of the SSP Plus participants working in jobs that paid better — presumably at least in part due to the additional employment-related services provided to them.

In the final part of his presentation, Greenwood discussed the impacts that SSP had on the children of the lone parents who took part. He said it is easy to suppose that increasing maternal employment and raising family incomes might result in these families having more resources available to them. In addition, the care arrangements that children experience as their mothers go to work might also act through a socialization pathway to affect their development (positively or negatively). There was also a concern that encouraging lone parents to go to work would have deleterious effects on their children, especially on infants, Greenwood said.

Among the preschool-aged children, SSP had no effects on test scores, social behaviour, emotional well-being, or health. Among early elementary school-aged kids, SSP had small but statistically significant positive impacts on cognitive and school outcomes. Children in the program group scored higher on a math test, and parents in the program group gave more positive reports of their children's achievement in school than did parents in SSP's control group. There was also some evidence that program group children were in better health. Among adolescents, however, there was evidence of some negative behavioural impacts — minor delinquency and smoking and drinking. In addition, there was also an increased likelihood of program group adolescents performing below average in school.

Greenwood concluded that the Self-Sufficiency Project produced a range of positive findings. The rigorous experimental design provides clear evidence that a well-designed strategy to make work pay can increase employment and earnings, be an effective anti-poverty measure for low-income single-parent families, generate impacts that can be sustained over a number of years, have beneficial effects for at least some of the children in these poor families, and over time be cost-neutral.

Charles Michalopoulos is a Senior Fellow at MDRC, a New York-based research organization with extensive experience in randomized experiments. Michalopoulos spoke on the experience in the US with making-work-pay strategies. He described the US system as large and complicated with many different programs ranging from food stamps to health benefits and varying significantly among states. For this presentation, he would focus on financial incentives to make work pay, beginning with the income maintenance experiments of the 1960s and 1970s.

The income maintenance experiments were set up to test the negative income tax (NIT) approach to providing a guaranteed income to those with no other income sources. This approach uses the tax system to give money to those with low incomes and then taxes back the guaranteed amount as earnings rise above some threshold level. The goal of the NIT was to simplify and unify the transfer system (replacing welfare and food stamps) as a way of reducing poverty while encouraging work — or at least not discouraging work too much.

The basic NIT plan tested in these experiments offered program group members a guaranteed income equivalent to 75 per cent of the poverty rate; as income rose, the guarantee was “clawed back” at a 50 per cent rate. The NIT was tested in four separate projects that together ran from 1968 to 1972. This set of income maintenance experiments was also the “Granddaddy” of random assignment social experiments; some 8,700 households were randomly assigned either to be eligible for the NIT or to form the control groups for the experiments. Unlike the Self-Sufficiency Project (SSP), there was no requirement to work to receive NIT benefits. As a result, the experiments showed that on average those who were eligible for the NIT worked fewer hours and had lower earnings.

Michalopoulos then described the Earned Income Tax Credit (EITC), which was introduced by the US government in 1975 and which has subsequently been expanded a number of times. Unlike the NIT, EITC encourages work by paying benefits only to those who have earnings from employment. The EITC is a large program with \$30 billion a year paid out to approximately 20 million families. In 2003 it lifted 4.4 million people above the poverty line. EITC benefits for a family with two children provide a 40 per cent increase to earnings below \$10,800, provide a fixed amount of \$4,300 for earnings from \$10,800 to \$14,050, and are reduced by 21 per cent of the earnings above \$14,050.

EITC has been found to increase the employment of single mothers by seven percentage points, but there was little change in the employment of married couples. Overall, there is little evidence of people reducing their work effort in response to the increased income provided through EITC benefits.

Finally, Michalopoulos reviewed several MDRC social experiments that were designed to make work pay, in particular the Minnesota Family Investment Program (MFIP). MFIP provided a more generous welfare “earnings disregard” (the amount that can be earned without affecting welfare benefit entitlement). MFIP program group members could continue to receive full welfare benefits with earnings up to 140 per cent of the poverty level. For long-term welfare recipients, MFIP required that participants either work full time or participate in a welfare-to-work community jobs program. With MFIP, there is no incentive if you are not working. The incentive increases with increased work effort but eventually tapers off; in fact, the greatest incentive is to part-time work, which allows participants to

combine earnings and welfare benefits. MFIP and the other make-work-pay program increased earnings and income.

MDRC's evaluation found that MFIP increased family income, but it also found that a full-time work requirement was important in encouraging work and raising earnings. Those who were subject to a work requirement were more likely to work and they had higher earnings. Those who were not required to work full time were somewhat more likely to work, but they did not have higher earnings. Some reduced their work effort by moving from full-time to part-time jobs or by taking lower-paying jobs. Overall, the income gains came from the payment of incentives, but the employment gains came from the work requirement. Over time impacts faded because of job loss, control group catch-up, and the eventual end of the financial incentives.

In conclusion, Michalopoulos stated that incentives can encourage work and increase income. They can cause increases in work among those who would not otherwise work. He also stressed the need for the programs to be well-communicated and marketed to the target population in order to get potential participants to understand and act on the incentives offered to them. It is also possible to contain program costs by offering incentives only to those who are most disadvantaged and by requiring full-time work. More narrowly targeted programs with full-time work requirements cost substantially less in incentive payments to put an extra dollar in the hands of low-income families, Michalopoulos said. More broadly targeted programs require more incentives for the same effect, pay out more in windfall benefits, but reach a larger group of people and result in more widespread poverty reductions. Bigger cash transfers result in a larger reduction in poverty and larger work reductions. And finally, from a public finance perspective, more generous wage supplementation programs for people at the bottom usually mean higher taxes for others.

Glenda Quintini, an economist at the Organisation for Economic Co-operation and Development (OECD), presented an overview of a study undertaken at the OECD.

Quintini said that getting a job, working longer hours, or earning higher wages is often not financially attractive for low-income individuals in many OECD countries; much of the additional earning would be clawed back by government in the form of higher taxes and reduced benefits. The rate of this clawback on extra income is known as the Marginal Effective Tax Rate (METR).

To demonstrate the point, Quintini presented estimates of the METRs in 28 OECD countries for single parents and for two-parent families with a single earner and an inactive spouse. The families are assumed to have two children in both cases. For a person in receipt of unemployment benefits, the extra earnings from taking a job paying two thirds of the average production wage are rarely clawed back at less than a 60 per cent rate, and rates in excess of 80 per cent are more common. Quintini showed a broadly similar situation for inactive people who take a full-time job or part-time job and who experience reductions in a range of benefits.

Quintini characterized the METRs in most OECD countries as very high, in some cases approaching (and, in a few cases, exceeding) 100 per cent. Going to work in those circumstances provides little financial gain. The charts she presented showed that Canadian METRs were typically between 60 to 80 per cent in many circumstances. However, two thirds to three quarters of the countries in the OECD study had even higher METRs.

It was Quintini's view, however, that the employment effects of changes in the METRs are relatively small. For example, she estimated that a 20 per cent reduction in the METR would increase the probability of an unemployed or inactive person moving into employment by about five percentage points. A similar reduction for a single mother would increase the probability of her moving from part-time to full-time work by about eight percentage points.

Quintini said that higher generosity and narrow targeting increase the effectiveness of in-work benefit programs by channelling significant help to the neediest families while keeping program costs at a reasonable level. Careful targeting can also prevent people from changing their work behaviour in order to become eligible for the benefits. Focusing on long-term benefit recipients may also reduce the deadweight cost of a program.

She said the effectiveness of in-work benefits could be improved if programs were simple to understand and made widely known to recipients through effective communication. If there are multiple schemes, program take-up can be improved by having the programs administered by the same authority so that people do not have to go to several offices to receive services. Integration with the tax system and payment through the wage package could also provide improved service to recipients as well as cost savings to governments. Any benefit system also needs to be responsive to changes in family needs, such as the birth of an additional child. In most cases, entitlement changes with the number of children.

Finally, she concluded that in-work benefits should be integrated with other labour market program tools. For example, child-care subsidies are an appropriate complementary policy that can make it feasible for parents, especially those with young children, to return to work. And, under certain conditions, a minimum wage set at an appropriate level can be one way to prevent employers from demanding lower wages from persons receiving any earnings subsidy.

BREAK-OUT SESSIONS

David Card, Class of 1950 Professor of Economics at the University of California, Berkeley, made a presentation that focused on the labour market lessons from the Self-Sufficiency Project (SSP) experiment.

Card said the goal of SSP was to evaluate the effects of a time-limited earnings subsidy offered to long-term income assistance (IA) recipients. The SSP Recipient experiment offered the subsidy to a stock of long-term IA recipients in British Columbia and New Brunswick; the SSP Applicant experiment offered the promise of a subsidy to new IA entrants in BC if they stayed on IA for a year and thus became long-term recipients. SSP had a number of unique features that allowed new insights to be gained into the functioning of the labour market. However, the generalizability of the project's results is limited by its implementation in specific locations with their own labour market characteristics, he said.

Card summarized a number of important elements of the program tested in SSP:

- A three-year time limit on the duration of the subsidy and a one-year time limit to find a full-time job or lose eligibility for the supplement. "I think these time limits explain a fair amount of the differences between SSP and other experiments," Card said.
- A subsidy formula that was equal to half the difference between a generous provincial income benchmark and actual earnings by the participant. Virtually everyone who received the supplement would receive more than they would have received from income assistance. (As only one treatment was tested, one cannot answer the question of whether the subsidy was too generous.)
- Employers did not know if an employee was receiving the subsidy, which avoided potential stigma effects (and there is some evidence from other studies that stigma effects can be substantial).

SSP's peak impact on full-time employment was about 15 percentage points; it declined after that — mainly because the control group was catching up. There were comparable impacts on welfare receipt. Card pointed out that these are among the largest impacts in the experimental literature, and he expressed the view that the time limits built into the SSP program model are especially important in explaining SSP's large effects.

He stated that SSP had provided decisive answers to a number of key labour market questions. First, long-term welfare recipients can find full-time jobs. Second, they can find jobs quickly enough to meet a one-year eligibility time limit. Third, they will continue to work for more than a few months.

Some long-term welfare recipients were already working full time at baseline; and 52 months later, one quarter of the control group was working full time. So a static view that suggests everyone on welfare is stuck there is not true; a significant proportion leave welfare over time. What SSP allowed the program group to do is to reach a level of full-time employment in one year that the control group attained only after four years.

Moreover, 33.8 per cent received at least one supplement payment, indicating that they were able to start full-time work within one year to meet the eligibility requirement. This proportion was about the same in the two provinces in which SSP was conducted. Card suggested that this was a source of some surprise, since they had very different labour markets. One view of the New Brunswick labour market of the early 1990s was that the demand for labour was constrained and there were just not enough jobs available to allow SSP participants to work.

Among those who initiated supplement payments, the rate of supplement receipt had declined to about 60 per cent after a year. However, it remained fairly steady at that level for the remainder of the three-year supplement period. Card's view was that many of those in the program group responded to the requirement to act fairly quickly to establish the "option" of receiving supplements during the subsequent three years. Once that option had been established, some were either unable to sustain employment or left employment temporarily to pursue other activities. The majority however was able to remain working full time.

Card next considered the kind of jobs obtained by SSP participants and whether they were likely to promote human capital development. He pointed out that the results from the Recipient and Applicant studies were quite different. In the Recipient study, nearly all of the extra hours worked by program group members were paid at or near the minimum wage. Moreover, those in program group gained about one third of a year in additional labour market experience, which is not very much considering that this group already had an average of about seven years of labour market experience at the start of the study. Offsetting the additional work experience is the evidence (see, for example, Riddell discussed on page 37) that the program group was less likely to be enrolled in school. By Month 52 there was no net effect on wages, and the employment rates of the program and control groups had converged. By Month 69, there was no further impact on the probability of receiving income assistance. Therefore, for those in the SSP Recipient study, the program probably had no long-run effects on labour market outcomes, Card said.

The Applicant study effects seem to persist longer. At the end of the follow-up period, in Month 72, there are still small but statistically significant impacts on employment and IA receipt. The marginal wages are much higher than in the Recipient study at 1.5 to 2 times the minimum wage. In Month 72 the average wage rates of the program and control groups are very nearly the same. He said he was particularly puzzled by the fact that during the first year of the experiment the average wage of employed program group members was higher than that of employed control group members even though the employment rates of the two groups were approximately equal. He noted that the gap disappeared in the second year, perhaps as many program group members accepted lower wages in an effort to get work and initiate supplement eligibility. However, the hourly wages of the program group did not drop below those of the control group as might be predicted by economic models. Average wages of the two groups then remained similar for the rest of the study. He concluded that there is probably no long-run effect on wages in the Applicant study; there is the possibility of longer-run impacts on employment and IA receipt (they are more persistent than in the Recipient study), but he is skeptical. He had no firm views on why the Applicant and Recipient results should be so different. He suggested it could be due to differences in the nature of the two samples, especially the much less prior experience of the welfare system on the part of those in the Applicant sample.

What lessons does SSP offer for permanent subsidy or incentive programs? It is clear that a significant portion of the low-wage population can understand and respond to complex incentives and obtain employment. He cautioned, however, that the various time-limited features in the SSP program make it difficult to draw out too much in terms of labour supply elasticities. In addition, if a program like SSP were to become a permanent feature of the welfare system, the labour market would respond and adapt to its presence (in the manner, he suggested, that the labour market in the Atlantic Provinces slowly adapted to provide more short-term work opportunities to match the entrance requirement for unemployment insurance benefits). SSP also demonstrates that people can be encouraged to work and with earnings subsidies their standard of living can be improved. However, there is no evidence that wages will be improved or human capital increased by a program of this type. Nonetheless, it does come close to paying for itself, so it may be attractive from a public-finance perspective.

Jeremy Lise is a PhD candidate in Economics at Queen’s University. He co-authored two research papers using the data made available from the Self-Sufficiency Project (SSP). He spoke about his research estimating the effects of SSP as a large-scale program where the supply of workers is equal to the demand for workers. The research was conducted with Shannon Seitz and Jeffrey Smith.

Lise said social policy experiments, such as SSP, are not good at answering what would happen if you took a small-scale demonstration project and scaled it up broadly into a major program. Policies that affect a large number of individuals can have a very different effect than policies that affect a small number of individuals, he said. For example, introducing a program affecting a small number of people would not be large enough to affect their wages, while a program affecting a large number of people might increase the supply of labour and cause their wages to fall. In a study of tuition policy that allowed wages to fall as the supply of college graduates increased, the effect of the program on the enrolment rate was about one tenth of what would happen if wages were not allowed to fall in response to the increase in supply of college graduates, Lise said.

Second, a program might also affect someone who is not directly treated, Lise said. For example, unemployed workers, who are given bonuses if they become re-employed may find jobs but, in the process, partially displace other workers — with no access to the bonus — from those jobs. According to one study, these “displacement effects” would reduce the effectiveness of the re-employment bonus by 30 to 60 per cent, Lise said.

Lise said that the only way to examine these effects is to create a mathematical model of the economy. He described his model a “dynamic equilibrium search model” that allows feedback effects between the labour market and welfare and unemployment insurance programs. It explicitly models the effect of changes in financial incentives on the intensity with which individuals search for jobs. Finally, it explicitly considers the effects of changes in social programs on wages.

In this model, people who are employed care about their current job, whether they are eligible for unemployment insurance, and how long the job is going to last. Other features of the model are as follows:

- Workers in the model are forward-looking. They are interested in today’s wage and what is going to happen to them in the future.
- The surplus between a worker and a firm is increasing over time.
- There is free entry of firms.
- An individual can increase his or her probability of finding a job by increasing his or her work effort.

Lise said the model performed well when subjected to a number of tests using SSP data. The completed model gives estimates of the effects of SSP as a full-scale program in which SSP can potentially cause changes in wages, the displacement of workers, and the amount of time income assistance (IA) recipients remain on welfare in order to receive the supplement, Lise said. He compared these effects with what would happen without SSP.

Lise said the model predicts that people will stay on unemployment insurance slightly longer because if they exhaust their benefits, it is no longer quite as bad to receive welfare. As a consequence, there are slightly longer durations of unemployment. The income assistance durations are shorter. For people with full entitlement to unemployment insurance, the average duration without a job increases a little bit. There is a slightly lower employment rate and slightly higher jobless rate. Firms are posting slightly fewer job vacancies, he said.

The effect of SSP on wages depends on the specific labour market situation of the worker. For example, wages will rise slightly for workers who enter employment from unemployment insurance, because SSP makes it easier to turn down poor-paying jobs and potentially transit to welfare. Those who enter employment after a very short period on IA will have substantially higher wages with SSP than without it. This effect is stronger after a year on IA, when IA recipients are on the verge of becoming eligible for SSP. Overall, SSP raises the average wage.

However, the situation changes dramatically if there is no minimum wage to limit how far workers and firms can bargain down wages. Without a minimum wage, the model predicts that workers would be willing to pay firms to hire them in order to receive the supplement, Lise said. He interpreted this conclusion as saying that the SSP-type supplement would be very important to workers. This desire to qualify for the supplement might, in reality, be reflected in workers' willingness to accept poor quality jobs, Lise speculated.

Lise said that calculations of the overall benefit of SSP to society depend strongly on whether one takes into account the "equilibrium effects" in his model. Lise said the cost-benefit analysis of SSP is positive for society in "partial equilibrium" — if wages are not allowed to change, workers cannot be displaced and there are no reductions in the number of firms. However, once these effects are allowed (technically, in "general equilibrium"), the value of SSP to society is strongly negative, he said. This tends to be consistent with other research in which you can get a large difference between partial and general equilibrium, Lise said.

Lise concluded that general equilibrium effects can be very important in practice and are always very important to think about. He said that the method used in his research is not the only way to calculate these effects. One other possibility is to do social experiments in small geographically separated regions so that the general equilibrium effects can be seen directly, he speculated. The incentives could be varied across regions. In this way, researchers would not have to rely only on mathematical modeling to estimate these effects, Lise concluded.

Lisa Gennetian is the co-director of the Next Generation project at MDRC. She spoke on children and child care using data from the Self-Sufficiency Project (SSP) and US welfare experiments.

Gennetian set the policy context for her research on children and child care by noting that the United States has the highest child poverty rates of the 11 richest countries (18.8 per cent of children in 2000) but Canada is not far behind (13.2 per cent). Similarly, the difference between the United States and Canada in poverty among single parent households is not as large as might be expected (41.4 per cent in the United States, 32 per cent in Canada).

Gennetian said that the data in her presentation combine data from eight randomized experiments in the US and Canada, including the Self-Sufficiency Project. The experiments, many from the 1990s, were designed to improve the labour market performance of parents on welfare rather than directly affect children. In both countries, there was an increasing acknowledgement of dependence on welfare, high government expenditures, and a desire to change the welfare system from one based on entitlement to one that had some requirements tied to it. Finally, there was recognition that there was not always a clear benefit for parents getting off of welfare, and this often provided a disincentive to work.

Gennetian said that the experiments differed in their approaches. For example, SSP offered earnings supplements as a voluntary alternative to welfare whereas many of the US studies were embedded in the welfare system. Consequently, when they offered “earning supplements” they were actually earning disregards that allowed recipients to keep some of their earnings while receiving welfare benefits.

Program components had direct effects on welfare, employment earnings, income, and child care, she said. These direct effects indirectly affected children’s home lives and lives outside of the home, parents’ emotional well-being, the parent–child relationship, the quality of the home environment, family composition, and marital relationships. In turn, child outcomes were affected in different ways depending on the developmental stage of the child, Gennetian said. Infants reacted differently than school-aged children. She noted that it can be argued that children and adolescents might be better off with higher family income, better role models, better child care, improved maternal mental health, and structured routines in family life. Alternatively, she continued, it can be argued that they might be worse off due to more poverty, less monitoring by parents, low quality care, more household responsibilities, and more maternal stress.

All of the studies have a random assignment design in which the program group receives the new program and the control group usually receives what is available at the time of the study, she said. Random assignment ensures that, at the beginning of the study, the families in both the program and control group are the same in a variety of characteristics. Subsequent differences in outcomes between the program group and the control group can be confidently attributed to the program, she said. Gennetian said that when she refers to “increases” and “decreases” in her talk, these are comparing the program group with the control group.

Gennetian explained that the data from the different studies were pooled together. The children were examined with a standardized achievement scale three to four years after the study began. Children’s ages refer to their age at the start of the study. Gennetian explained there were about 30,000 single parents in the studies. They were long-term welfare recipients who had worked in the past. On average, they were 30 years old. Fifty to seventy per cent

had never married. Half had a high school diploma. Thirty to fifty per cent were Black, with the exception of SSP, which was almost entirely White, she said.

Turning to the results of the study, Gennetian said the programs had a positive effect on children who were of preschool age at the start of the study. These effects were largest for those who were aged 4 to 5 at the start of the study. But these effects turned negative for older children, particularly for those transitioning into adolescence — the 10 to 11 year olds at the start of the study. The effect sizes were small from almost 0.1 on the positive side to just over 0.1 on the negative side.

The small positive effects for young children occurred in programs with earnings supplements, but statistically significant differences did not appear in the other programs. The negative effects for adolescents occurred in both types of programs, she said. Earnings supplement programs increase both employment and income, while the other programs increase only employment. Over the longer term, in SSP and another supplement program, New Hope, the positive effects on preschoolers were present, though diminished after the supplement ended. This provides some hope that a temporary boost in income can result in longer term achievement, Gennetian concluded.

Summarizing the impacts on adolescents across studies, Gennetian said there were no significant effects on milestone measures such as dropping out school, school suspensions, or teen parenthood. However, adolescents were more likely to repeat grades and less likely to have above-average school performance. The effects were small in size. In SSP, according to self-reports, adolescents were more likely to self-report minor delinquent behaviour, she said. About four per cent more adolescents reported smoking, having at least one drink a week, at least some drug use, or below academic achievement. However, the control group level was different for each of these measures. For example, of adolescents in the control group, 20 per cent smoked, 4.7 per cent drank at least once a week, and 14 per cent admitted to drug use. Later, at 54 months after the start of the study, these earlier effects did not translate into major effects such as dropping out of school, having a baby, or being arrested, she said. Gennetian said that these adolescent results have generated a lot of interest in the United States, and more research is being done. The qualitative research gave anecdotes about adolescents doing poorly in school because they are taking on increased child-rearing responsibilities, but this may not be the only explanation, she said.

Turning to child care, she said that levels of child-care use in the control group varied between the different studies. SSP, with 15 per cent of control group members using child care, had low levels compared with the other studies. Programs that had larger effects on employment also had larger effects on paid child care. She noted that many families, particularly in SSP, used *paid* home-based care. Gennetian said that it is a myth in the United States that families are relying on their relatives and no one is paying for child care. There is little relationship between a program's impacts on employment and a program's impact on child-care subsidies, as many welfare recipients who leave welfare for employment do not report using a child-care subsidy, she said.

Gennetian said qualitative studies often report difficulties in getting and keeping subsidies as well as real and perceived differences in what subsidies can be used for. Subsidy requirements can cause sudden changes in families' eligibility and, in turn, increase child-care instability and possibly instability in employment, she said. Some families prefer not to use subsidies or the subsidized system, she said. For example, some Hispanic families had a

lot of distrust of out-of-home settings. For others, child-care subsidies can also resolve parents' dilemmas and provide access to educational opportunities for children. With a subsidy, a mother could afford a type of care that she could not otherwise afford.

Some of the studies offered "expanded" child care in various ways, including

- more generous subsidies that covered the market rate of formal care,
- direct reimbursement of child-care providers rather than delayed reimbursement of parent's child-care expenses, and
- extended duration of transitional child-care benefits.

In comparison with other programs, programs that offered expanded child care increased parents' subsidy use, lowered out-of-pocket care costs, and reduced problems with child care, Gennetian said. Some parents said they used only siblings and relatives, because centres are not open late or because they distrust non-relatives to look after their children. Others prefer centre-based care because of the convenience. Finally some used a patchwork of care due to shifting and erratic work schedules. Some of this child care is unsafe for children, Gennetian said. Programs with expanded child-care assistance increased use of centre-based care more than home-based care — especially for very young children. The opposite pattern occurs in programs without expanded child-care assistance, she said.

Using a technique called "instrumental variables" with additional controls, Gennetian and her research colleagues found that programs that had the highest effect on participant's income had the highest effect on the achievement of children between the ages of 2 to 5. These findings suggest that income has a positive but relatively small effect on the achievement of preschoolers. A \$1,000 increase in annual income boosts young child achievement by six per cent of a standard deviation, she said. Centre-based care during the preschool years has a small positive effect during the early grades of elementary school. These are much smaller effects than more comprehensive early education programs, but income-security programs are much cheaper, she said. Earnings supplement programs cost about \$3,000 to move a standardized achievement scale 6 per cent of a standard deviation, while high-quality preschool costs about \$15,000 for an effect of 60 per cent of a standard deviation, Gennetian concluded.

Doug Tattrie is a Senior Research Associate with the Social Research and Demonstration Corporation (SRDC). He spoke on the Earnings Supplement Project (ESP), which gave earnings supplements to Employment Insurance (EI) claimants.

Tattrie said ESP was composed of two social policy experiments. In both studies, the policy goal was to get participants employed more quickly by inducing the participants to take lower-paying jobs in exchange for an opportunity to receive an earnings supplement. One study was for displaced workers who lost their jobs and were not expected to return to their previous employers. ESP offered these workers earnings supplements to encourage them to take lower-paying jobs in order to shorten their duration of unemployment and avoid the potential “scarring” effects of unemployment. In addition, it sought to compensate them for lost earnings as they took new jobs in more productive sectors and, consequently, helped improve the efficiency of the economy, Tattrie said. A second study offered a similar supplement program for repeat users of EI in order to promote off-season and full-year work. It was also hoped that the supplement offer would reduce the claim payments of repeat users of EI, he said.

Tattrie then reviewed the design features of the ESP supplement. The earnings supplement would, under certain circumstances, pay 75 per cent of the difference between their earnings at their old job, as shown on their record of employment, and the earnings at their new job. Consequently, program group members would receive no payments if their new job paid as much or more than their old job. Program group members could receive the supplement for up to two years during months when they worked full time. The supplement was capped at \$250 a week. Earnings above \$850 a week at the previous job were not taken into account in the supplement formula. The last two conditions meant that large earnings losses were not fully compensated by ESP, Tattrie said.

Tattrie explained that the conditions were attached to receiving the supplement. Program group members had to find full-time work quickly — within 26 weeks for displaced workers and within 12 weeks for repeat users of EI. Program group members would not receive supplement payments if they returned to their previous employer — a critical factor for repeat EI users, who often expected to do so, he said.

The displaced worker study took place in five cities in Quebec, Ontario, and the Prairies from 1995 to 1998. Only 40 per cent of those asked to participate agreed to do so. Tattrie said that this was not a favourable sign for the success of ESP, because the program offered “free money” to people who quickly found full-time work but placed no obligation on program group members to change their behaviour.

Eventually, 6,000 displaced workers were recruited for ESP. Slightly more women than men signed up. Eighty per cent had a high school degree or more. Seventy-five per cent had been with their previous employer for three or more years. Sixty-two per cent had more than one family member contributing to their income. Tattrie concluded that the recruited ESP participants were fairly well placed in the labour market with reasonable education, steady prior employment, and alternative sources of income.

Only 2 out of 10 program group members ever received a supplement payment, Tattrie said. Sixteen per cent received a supplement payment in the 26th week after random assignment. Supplement receipt fell to 10 per cent by the end of the experiment. Two thirds of supplement recipients received a year or more of payments, with the average recipient

receiving \$8,700. These payments were substantial, but three quarters of the supplement expenditure went to only two fifths of recipients, he said. As most of the money went to a small minority of participants, Tattrie concluded that ESP did not perform well as a compensation mechanism for displaced workers. Turning to the 80 per cent of participants who did not receive a supplement payment, he said that 42 per cent said they did not take up the supplement because they could not find a job in time, 8 per cent said they found only a part-time job, and 13 per cent said they found a job without a salary decrease.

Tattrie said the program had a small temporary impact on full-time employment. Full-time employment was up by four per cent in Month 6, but there was no impact after Month 10. In addition, there was a small effect on part-time work and, possibly, a small effect on wages and earnings. There were no other effects. For example, ESP did not reduce EI payments or EI receipt, Tattrie said. In addition, there were no measured effects on hardship, which suggests that ESP is not an effective method of compensation for the hardship of unemployment, he said. In addition, Tattrie noted that ESP had no effect on the amount or intensity of job search. Consequently, there is no evidence that program group members looked harder for a job even though many of them said they could not find a full-time job in time to receive the supplement, he concluded.

A separate group of unemployed workers — not part of the main study — were offered supplement payments despite the fact that they expected to return to their previous employers. ESP had no effect on these workers, as only 6.5 per cent of them ever received a supplement payment, Tattrie said. However, their experience will shed light on how ESP affected repeat EI users, he said.

At the beginning of ESP, repeat EI users were starting their fourth claim in as many years. ESP had the policy goal of encouraging repeat users of EI to find either “fill-in” jobs or full-year work and, potentially, reduce their use of EI, Tattrie said. The ESP supplement had the same terms and conditions as the supplement for displaced workers except repeat EI users only had 12 weeks to find a full-time job in order to receive the supplement.

There were four sites in Atlantic Canada and Quebec. Forty per cent of those asked agreed to participate with the result that 3,400 people were randomly assigned. Tattrie said the recruited sample was 65 per cent male with nearly 40 per cent lacking a high school diploma. Unsurprisingly, participants had received a large amount of EI benefits over the previous three years — \$18,000 on average, he said. They had stable employment in the past, having worked with their previous employer for an average of six years. Eighty-eight per cent expected to return to work with their previous employer. For the most part, they were in the middle of a long-term relationship with an employer rather than at the end of one, Tattrie concluded.

Only five per cent of the program group received a supplement payment, which is similar to the percentage of supplement recipients in the displaced worker study who expected to return to their previous employer. Among the small number of repeat EI users who did not expect to return to their previous employer, supplement receipt was higher — 13 per cent.

Low supplement take-up rates caused SRDC to conclude that ESP would not be an effective program for repeat users of EI, Tattrie said. As a consequence, SRDC cancelled the previously planned follow-up survey and calculated program impacts with EI administrative data alone. EI receipt was down by three per cent in Month 5 and Month 6, but there were no

other measured impacts. This study had a tiny effect driven by a handful of supplement recipients, Tattrie said.

In conclusion, Tattrie said ESP had only a small temporary effect on displaced workers and a negligible one on repeat users of EI. There was no effect in either study if the participants expected to return to their previous employers, possibly because a new job would interrupt a well-established relationship with their previous employer. There were broadly similar effects in both studies once the percentage of participants who expected to return to their previous employers is taken into account, Tattrie said.

Tattrie said the Self-Sufficiency Project (SSP) had much larger impacts than ESP. He cautioned that earnings supplement programs can have very different effects depending on the design of the supplement program and the target population.

The discussion following the talk turned to low receipt rates in earnings supplement programs. Doug Scott, a Senior Policy Analyst at Saskatchewan Department of Community Resources and Employment, said that Saskatchewan has an employment supplement program that is targeted to low-income families. He said supplement receipt has never exceeded 40 per cent of the eligible population despite the fact that the program has been in effect for more than seven years. He added that the government had to promote the program vigorously to sustain the 40 per cent receipt rate because there is a 13 per cent turnover of supplement recipient in each month. He said “People think that it is too good to be true. They figure there must be a catch.” He concluded that his department had not done a good enough job in explaining the program to the potential recipients.

Marianne Bitler is a research fellow at the Public Policy Institute of California. She spoke about her research on the distributional impact of the Self-Sufficiency Project (SSP). This research was conducted jointly with Hilary Hoynes and Jonah Gelbach.

Bitler said that the evaluation of SSP followed the common practice of comparing the average outcome in the program group with the average outcome in the control group to find the average impact of SSP. However, she said comparing only averages may conceal large offsetting effects for different subgroups. Indeed, economic theory predicts that an SSP-type earnings supplement will have different effects for persons with different skill levels and reservation wages. Policies with negative effects on some subgroups may not be attractive even if they have positive effects on other subgroups. Consequently, Bitler said it is important to compare the entire distribution of outcomes in the program group with the entire distribution of outcomes in the control group to determine the effects of SSP on the *distribution* of outcomes rather than just the mean outcomes. Her research looks at the effects of SSP on the distribution of earnings, transfers, hours, wages, and income and compares these against the predictions of economic theory. Her research shows that there is substantial variation in the impacts, which are found to be positive for some groups and negative for others. These differences would not have been found with a simple comparison of averages, she said.

First, Bitler reviewed the central program features of SSP and income assistance (IA). IA offered a guaranteed level of benefits and a high benefit reduction rate. IA benefits were taxed away quickly as earnings increased. To obtain the SSP earnings supplement, recipients had one year to find employment at the minimum wage or higher for at least 30 hours a week. The SSP earnings supplement was one half the difference between recipient's earnings and a generous benchmark. SSP's benefit reduction rate was 50 per cent, which is a lot lower than IA's benefit reduction rate. The earnings supplement could be obtained only for three years.

Bitler then reviewed what economic theory would predict to be the effects of SSP. Bitler said that a simple static model of labour supply would predict that SSP would have different effects on different parts of the earning distribution, because persons eligible for SSP would face a different implicit tax rate on earnings than persons eligible only for IA. Economic theory would predict that some program group members would have increased earnings while other program group members would have decreased earnings.

Bitler said the static labour supply model predicts that no one should leave employment altogether and some low-wage individuals enter employment. The model predicts that the supplement should lead to higher transfers with the SSP program group than with the IA control group while the supplement is available. These higher transfers occur because there is a group of "windfall" supplement recipients who would have worked full time even in the absence of SSP. Very high earners may reduce their earnings a little bit to remain eligible under SSP. Expected effects vary according to individuals' locations on the budget constraint. A more complex dynamic model suggests individuals will accept lower wages to qualify for the supplement. However, this reduction will occur at the top of the wage distribution, because the minimum-wage laws prevent low-wage workers from reducing their wages, Bitler said. She said that these mixtures of positive and negative effects might be missed if only average values were used in the analysis of the data.

Bitler used the SSP Recipient data and focused on those observations without missing values. In this smaller dataset, the treatment and control groups looked very similar prior to random assignment. The analysis of the data used the person-months, which implies that every person in the dataset has a separate observation for each of the 54 months in which they were observed. For the purposes of analysis, people who are not working were assigned a wage of zero.

The differences between the distributions of the treatment group and distributions of the control group are examined by calculating the “quantile treatment effects.” These effects are the difference between each percentile of earnings for the SSP program group and the same percentile of earnings for the control group. For example, the 50th quantile treatment effect is the difference between the median of the program group and the median of the control group. The results can easily be summarized in graphs of the distributions and the differences between them, Bitler said. The quantile treatment effects do not tell us about effects for specific individuals, because we do not know where someone in the treatment distribution would be in the distribution if they faced the rules of the control group, she cautioned.

These quantile treatment effects revealed large variations in the impacts across all the distributions, Bitler said. “The range of effects is quite large. The mean impact is not representative for everybody,” she said. She proceeded to explain the impacts of SSP on various distributions such as earnings. While the supplement is available in Month 1 to Month 48, the effects on earnings are zero for the bottom two thirds of the earnings distribution. In this section of the earnings distribution, neither people in the program group nor people in the control group are working. Then, moving up the distribution of earnings, there is a big positive effect on earnings due to the SSP supplements. At the very top of the earnings distribution, there are negative impacts or no impacts on earnings. These effects on the earnings distribution are consistent with the predictions of a simple economic model of labour supply, she said. It also suggests that averages alone would give a misleading view of the program, because the impacts are concentrated at the top of the distribution rather than spread equally across the entire distribution as a simple average impact might seem to imply, Bitler said.

Turning to the SSP’s effects on the distribution of hours of work, Bitler said the effects on hours of work are zero everywhere that the effects on earnings were zero, because earnings are impossible without hours of work. However, further up the distribution, there is a big increase in impact on hours. This effect tapers out so that there is no effect on hours at the very top of the distribution of hours. The latter effect is contrary to economic theory, which predicts that those who would work very long hours in the absence of SSP would work fewer hours if they could receive the supplement. She speculated that this expected reduction did not occur because SSP required that participants work at least 30 hours per week. In addition, the high earnings benchmark ensured that there were few people who needed to reduce their hours in order to have low enough earnings to qualify for the supplement.

Bitler said there were similar effects on the distribution of hourly wages — zero impacts for much of the lower part of the distribution, then positive impacts, and finally negative impacts at the top of distribution. Turning to the distribution of transfers (defined as IA payments plus SSP supplement payments), she said there are big impacts near the bottom of the distribution of transfers. These are probably people who were windfall supplement recipients — those who received the supplement but would have worked full time in the

absence of the supplement, Bitler said. There are essentially no other impacts on transfers except at the very top of the transfer distribution. When the supplement is not available any more in Month 49 to Month 54, the program group has much lower transfer payments because they are not getting the supplement anymore. She added that persons who are at the top of the transfer distribution are not likely to be the same persons who are at the top of the earnings distribution.

While the supplement was available (from Month 1 to Month 48), there are big impacts again on income (earnings, IA, and SSP supplement payments) for the highest earners but no impacts elsewhere in the distribution. After the supplement is no longer available, there are no impacts on income except at the very top of the income distribution where people may be a little worse off under SSP, Bitler said.

In summary, Bitler said that she finds a large range of effects in all of the distributions that were examined. At times, the effects were much larger than the average effect. While the supplement is available, the effects on earnings are zero for much of the distribution, then they are positive, and then at the top of the distribution they are zero or negative. The effects on hours are zero in the bottom half of the distribution and at the very top of the distribution but positive between percentile 66 to percentile 91. Effects for average wages are similar except at the very top where they might be negative. Effects on total transfers are generally non-negative, but persons with low levels of transfers cause the largest positive differences between the program group and the control group.

Effects on total income are small in the bottom two thirds of the distribution and then large in the upper third. In general, impacts are negligible after the supplement is no longer available. Variation across provinces is much less important than variation within provinces, she said.

Bitler concluded that there are large differences in the effects of SSP for different groups. She added that some of the results are consistent with the predictions of labour supply theory. She said these differences could be detected only by examining SSP's effects on the entire distribution of outcomes rather than by examining only the average outcomes in the treatment and control groups. The analysis of outcome distributions can be implemented easily and may offer new information about effects of experimental programs, she said.

Chris Robinson is the CIBC Chair in Human Capital and Productivity at the University of Western Ontario. He spoke on his research on human capital and search behaviour in the Self-Sufficiency Project (SSP) in the framework of a micro-simulation model. He conducted his research with Audra Bowlus, Lance Lochner, and Yahong Zhang.

Robinson and his co-authors developed and estimated a micro-simulation model of SSP that allows for human capital investment. The micro-simulation model is important because it allows policy-makers to simulate what would occur if various policy features of SSP were changed, Robinson said. Incorporating human capital investment is important because there could be long-term benefits of SSP if the participants increased their investment in human capital, he said. For single parents on welfare, these human capital investments may not be large. It might be as little as learning how to show up for work or how to hold a job, he said.

Then, Robinson explained the basic features of the model. Employment decisions are modeled with a search model. The individual has a choice between receiving income assistance (IA) and working full time. Wage offers are modeled as in the standard search model with separate job offer arrival rates for IA and employment. Usually, the wage offer rate is higher for those without a job because it incorporates that fact they might be looking harder for a job.

Robinson said the model must allow for human capital accumulation if there is going to be any possibility of long-term benefits. However, the standard search model — the central tool used by economists to study labour markets — does not allow for human capital accumulation, because it would complicate the model immensely, he said. Robinson and his co-authors decided to reduce this complexity by introducing human capital in a very simple manner. There is only “low” human capital and “high” human capital. Workers with high human capital receive higher wages. While employed, workers have a chance of “learning by doing” and consequently moving from low to high human capital and potentially receiving higher wages. In other words, if a worker is employed, the worker has a chance to learn “how to be employed” for free, Robinson said. However, if the person is on IA, there is a chance that their human capital will depreciate from high to low. “This captures the idea that if you have been on IA for a while, you are not really used to the work environment,” Robinson said.

Then Robinson explained the three important phases of the Applicant experiment and its key policy parameters. In Phase One, participants must stay on IA for a minimum of 12 months in order to be eligible for the supplement. In the second phase, eligible welfare recipients must find full-time employment within 12 months in order to take up the supplement. During the third phase, each participant has 36 months of eligibility for the supplement during the period the participant is working full time. The amount of the supplement is half the difference between the participant’s earnings and a wage benchmark of \$37,500 per year.

Robinson and his colleagues estimated the model and used it to see what would happen if SSP had other key policy parameters. Phase One was simulated with a 6-month (short) and 18-month (long) initial period on IA. Phase Two was simulated with a 6-month (short) and 18-month (long) job-finding period. Phase Three was simulated with a 24-month (short) and 48-month (long) period for receiving the supplement. Phase Three was also simulated with an earnings benchmark of \$40,000 and \$30,000 per year.

Prior to presenting the results of those simulations, Robinson said a few words about interpreting those results in light of certain technical assumptions. Currently, as a simplification, the program group can search for work only as hard as the control group in the model. This restriction artificially constrains how hard the program group can look in the job-search period when they would be willing to accept nearly any job in order to receive the generous supplement. Consequently, under these modeling constraints, it is very important to know how many months they are given to look for work in order to receive the supplement, Robinson said. However, it makes sense in future modeling work to relax this constraint and allow the program group to look harder for work than the control group, he said. As a result, he believes that the current numbers produced by the model can be improved substantially with future work but that the qualitative features of the results are essentially correct. “What you should take away from this is not the actual numbers that the model produces but how sensitive the results are to varying the policy parameters,” Robinson said.

Turning to the results of the simulations, Robinson said if Phase One, the qualifying period, is “short,” there is little time to look for work, so fewer people leave IA. If you make Phase One short, the result will be a higher fraction of initial IA applicants receiving the bonus, because the cost of receiving that bonus has been decreased, he said. If Phase One is “long,” it becomes too costly for some people to stay on IA, so some people who can get relatively high wage jobs leave IA for employment. A long Phase One takes people out of IA and the earnings supplement program. In Phase Two, the job-finding period, participants will accept very low-paying jobs (technically, the reservation wage is very low), so if the job-finding phase is longer, then more people are going to receive the bonus. With a long job-finding phase, there is a much higher fraction receiving the bonus. Earnings are also quite a bit higher, Robinson said.

If you make Phase Three — the benefit period — longer, you make the value of the supplement offer higher. This will influence behaviour back in Phase One, he said. More people will wait around on IA in Phase One because they can get a generous supplement in Phase Three, Robinson said. Consequently, there would be higher incidence of IA in Phase One. With a long Phase Three, the fraction of people receiving the bonus is a bit higher. However, a long Phase Three does not increase the fraction of people receiving the supplement as much as making the Phase Two period longer, he said. A long benefit period also increases earnings. A more generous bonus during Phase Three has the same effects as making the Phase Three period longer, he said. Robinson concluded that the most important policy choice is the length of Phase Two — the job-finding period. He said the effect of varying the length of the job-finding period is huge. “It is a very important parameter,” he emphasized.

Robinson said that there are not huge differences between models with human capital accumulation and those without human capital accumulation. For example, there is not much difference in the earnings between the two models. He said that the probability of gaining human capital while working was low, and human capital was lost quickly while on IA. He said there is little evidence so far that SSP was giving program group members something permanent rather than a temporary subsidy. It is possible that human capital accumulation is not particularly important for single parents on welfare. Alternatively, the result may be due to a modeling decision that tied human capital so closely to employment decisions that it is not surprising that the two models come out with similar results, Robinson said.

However, Robinson said that he was not yet prepared to say that SSP did not have a permanent effect on human capital. He said SSP had a very generous supplement that was reduced with increased earnings but not with increased job benefits. The incentive was for individuals to have low wages and high benefits. Robinson said that a preliminary look at the data shows that the incidence of benefits was higher in the program group than in the control group. It could be the case that program group members had an overall gain in wages and benefits combined, he said.

Philip Robins is a Professor of Economics at the University of Miami and the author of many reports on the Self-Sufficiency Project (SSP). He spoke on the value of non-market time lost by participants during SSP.

Robins said that most people judge desirability of a policy initiative on its cost–benefit analysis. Although SSP included an outstanding cost–benefit analysis, a lot of important factors, such as the loss of non-market time, had not been taken into consideration. His talk examines the value lost to SSP participants who gave up their non-market time when they took full-time employment.

Robins said that SSP is considered very successful. About one third of those offered the supplement received at least one supplement payment. About 54 per cent of these supplement “takers” responded to the SSP incentives by taking full-time jobs, while the remaining 46 per cent were “windfall” recipients. These windfall recipients received benefits but would have worked full time without earnings supplement. Consequently, they did not lose any non-market time as a result of SSP, Robins concluded. Program group earnings rose by over 20 per cent compared with control group earnings. Cost–benefit findings were viewed as promising.

Without considering the value of non-market time, the net benefit to society was estimated in the original SSP study to be nearly \$2,600 per program group member over five years. Participants gained more than \$5,200 in earnings and transfers. Government had a net cost of just under \$2,700.

However, Robins said that the major limitation to the SSP cost–benefit findings is that the costs and benefits were measured in income rather than in terms of economic surplus. A key source of the difference between changes in income and changes in surplus is the value of the loss of non-market time. The failure to value non-market time is mentioned in the original evaluation as one limitation of the analysis, he said.

Robins said the object of the study is to estimate the value of non-market time lost as a result of SSP and to re-estimate the net gains or losses from SSP taking this cost into account. This cost was borne by “responders” who, in the absence of SSP, would have either not worked or would have worked part time. For illustrative purposes, the discussion will focus on the methodology for non-worker responders, but in the analysis both are fully taken into account.

Robins showed a slide with a labour supply curve that showed how many hours of work would be supplied by a hypothetical person at each potential wage rate. In economic theory, the area under the supply curve represents the value of the time lost for supplying a given amount of labour. He said that a key part of the study was to estimate the dollar value of this non-market time. An initial challenge was to identify those participants who responded to the supplement offer. To do this, the study used a statistical technique known as “propensity score matching” to identify those supplement recipients who resembled the control group members who were working full time. These were likely to be non-responders or windfall recipients. In contrast, responders were supplement recipients who least resembled control group members who were working full time.

Robins said that the assumptions in the study are fairly conservative and tend to minimize the estimated value of lost non-market time. All assumptions were subjected to sensitivity tests. The key assumptions of the study are

- the reservation wage is set to its smallest plausible value — the net wage without SSP,
- the labour supply curves are a segment of an ellipse, and
- the observed hours of work correspond to desired hours.

Once completed, the study found that, in the baseline case, the average participant lost \$1,860 in non-market time, Robins said. As a consequence, the average net benefit of SSP to a participant was reduced to \$3,396 from \$5,256. The average net benefit to society dropped to \$705 per participant from \$2,565.

Robins characterized these changes as a very sizeable adjustment. The cost of lost non-market time to responders was substantial as it eliminated almost half of their income gain. Most of the originally estimated gain to society was eliminated. The estimated social effects of SSP become negligible or negative unless the study used a combination of implausible assumptions.

Robins noted that a number of considerations were not taken into account in either the original cost–benefit analysis or the current study. These include

- community effects such as reduced crime and/or drug use;
- effects on child well-being;
- effects on non-participants such as job displacement, wage rates, and entry into welfare;
- differential valuation of changes in income for taxpayers and program participants; and
- the value to taxpayers of reducing welfare rolls through increased work effort.

Robins concluded by urging that cost–benefit analysis should not be oversold but that it should be improved wherever feasible.

Wendy Bancroft is the author of *Sustaining: Making the Transition from Welfare to Work*, a Social Research and Demonstration Corporation (SRDC) qualitative study that describes the lives of 11 Self-Sufficiency Project participants over a two-year period.

Bancroft said that her *Sustaining* ethnographic study began in 1995 and followed 11 single mothers and their attempts to move from welfare to work. The study involved visiting the women three times a year for two years.

Bancroft said that the study revealed some expected themes such as the women's experiences of welfare, poverty, and lone parenting. However, some less expected themes emerged. While the women loved their children, the women preferred work to spending their days attending to chores and daily child maintenance, Bancroft said. The women spoke of being bored with their lives, needing stimulation, and going nuts by being at home. Some had always worked, always expected to, and had no intention of remaining on welfare. A few women hated welfare because it conflicted with their self image and the value they placed on self-reliance, autonomy, and privacy. Others, especially those with longer welfare histories, took a more pragmatic view and saw welfare as a way to achieve other goals such as staying at home with young children, pursuing education, or working through personal or family trauma. For some, a positive aspect of welfare income was that it was steady and secure in contrast to their experience with income from employment, Bancroft said.

Their housing and their neighbourhoods made a big difference to their sense of self and their sense of well-being, Bancroft said. Their substandard housing was unsafe, crowded, and infested with bugs. It was a social milieu that discouraged ambition. One participant said, "How can you feel like going out and working when everybody around you is not working and they don't care?"

Childhood experiences affected their adult decisions, Bancroft said. These experiences included not just a long welfare history, but also an adult who cared about them and provided a positive role model, she said.

The ongoing presence of the father is not always a bad thing, but it can be traumatic for the family when he shares in the parenting, Bancroft said. This was the case with 5 of the 11 women. In three other cases, the father's presence was not constant, but his appearance or influence caused considerable anxiety for the participants and their children, Bancroft said.

Frequently, if the father is, or was, a batterer, he will try to exert control long after the relationship ends, Bancroft said. Frequently, the children get caught in the middle. Mothers who attempt to increase their financial independence frequently find their attempts thwarted by their former partners. Some men use threats of violence. Some men will attempt to sabotage attempts at education training or employment by their former partners. For example, one estranged husband was stalking one participant, found out where she was taking classes, and sat outside the classroom door, Bancroft said.

The prevalence of abuse in the stories of these women was stunning, Bancroft said. Ten of the eleven women related tales of abuse with varying effects on their personal, family, or work lives. This abuse included such things as attempts to control them, taking or withholding money, harassment at work, pushing, grabbing, shoving, kicking, biting, slapping, punching, non-consensual sexual activities, treatment with extreme cruelty, and mental abuse. All of these things happened to these women, though not always in the recent

past, she said. Six of the mothers were no longer in contact with their abusers but continued to be affected by past events. Four of the mothers continued to be harassed throughout the period of the study. One participant said that the biggest thing going on in her life was “fighting with my kid’s father. It is still going on and it will probably go on for the rest of my life.”

Violence is often frequently related to depression, Bancroft said. The breakup of a relationship is frequently abrupt and often leaves the women without independent income but with responsibility for a traumatized family and children who are acting out with negative behaviour. Bancroft said the mothers are understandably consumed by the events. The violence damaged their confidence and their ability to focus on long- or short-term goals. For women in this study who experienced domestic violence, they found it lowered their self-esteem and their confidence in their ability to control events in their lives. The tension and stress of unresolved conflict resulted in time lost from work and may impair the women’s employability over time, Bancroft concluded.

To assess how the women were doing at the end of the study, Bancroft divided the women into those who were “sustaining,” “in transition” to sustaining, or “mired.” She said a person who is sustaining

- has the capacity to make enough money to achieve a decent quality of life for herself and her family or she is highly unlikely to need financial assistance from government, family, friends, or charitable agencies or intimate partners and
- has, along with her family, demonstrated the capacity to overcome the other challenges of the welfare-to-work transition, such as balancing work and family, poor working conditions, and other adversities.

By the end of the study, three women were sustaining because they were capable of taking on the financial maintenance of their families without assistance. Four women were in transition because they were actively pursuing goals but were not financially independent. Finally, three women were mired. Bancroft said they were so focused on the stress in their current lives that they were unable to move beyond dealing with their current calamities. They had no energy left over to think about finding and maintaining work, she said.

Bancroft turned to why some women become sustaining and other become mired. Risk factors are better known than protective factors, she said. Bancroft said that protective factors included

- the possession of personal resources that promote a confident attitude to life along with high levels of self-esteem and self efficacy;
- strong families that are affectionate, cohesive, and caring with high standards and expectations for their children;
- social and institutional support, including not only friends and family, but also such institutions as school, work, church, and the broader community — the support is not only financial, but is also an opportunity to provide a sense of competency, to receive rewards for accomplishment, and to receive meaningful participation; and
- belief in or connection to a cause or force outside oneself — for some, this is religion; for others, it may be commitment to a cause or involvement in an organization.

She said, given the same level of adversity, a major reason that some encounter success is resilience. Resilience is the ability to endure, to be self-righting, to problem-solve, and to thrive, mature, and increase competence in the face of adverse circumstances.

Bancroft said resilient people are optimistic, confident in their skills and competent, and have sense of control. They are resourceful problem-solvers who see and take advantage of opportunities. They know where to go for help and they use that help. They may become depressed or discouraged, but they get over it and they move on, she said.

Resilience gives them the confidence to leave the financial security of the welfare system, to sell themselves in the job interviews, and persevere in the face of repeated rejection. In the workplace, resilience translates into good presentation in the workplace, taking advantage of opportunities, and surmounting challenges. They discover new meaning in life through work that is interesting and rewarding. It can be acquired over time, Bancroft said.

In contrast, people with low resilience feel helpless in the face of adversity. They are depressed, discouraged, and have a low sense of self-worth and competency. Failure in one area becomes a sense of failure in all areas, Bancroft said.

Bancroft said that policy-makers need to be aware that low-resilience clients exist and identify them. These include families that are in distress and mothers overwhelmed by circumstances. Bancroft said policy-makers need to identify those who have little ability to problem-solve or grasp opportunities as well as those families where the goalposts are traditionally low. She said traditional job-search assistance programs such as resumé writing are not geared toward these women. Bancroft noted that one study participant said the women need mentors who have similar experiences as they have had and understand “where they are coming from.” In this participant’s view, the mentor could also act as a role model. Bancroft said that they do not necessarily need a well-educated case worker as a mentor, since that well-educated worker would be from a different social class than the single mother.

Chris Riddell, Assistant Professor in the School of Policy Studies at Queen's University, spoke about the changes in formal education over the course of the Self-Sufficiency Project (SSP) experiment and their effects on labour market outcomes. This research is being conducted jointly with Craig Riddell.

Riddell noted that there is widespread belief in the importance of formal education to long-term success in the labour market. However, there is also a view that the impacts of acquiring additional education may not be large enough to make much of a difference for long-term income assistance recipients. There is not a lot of empirical evidence on this point, but the SSP data have some potential to address the issue. Riddell's analysis documents the amount and types of educational upgrading that was undertaken by those in the SSP Recipient study research sample (with a focus on upgrading to a high school diploma and enrolling in college or in a trades program) and estimates the effects of this additional education on subsequent employment outcomes. In addition, it asks whether the SSP supplement offer adversely affected human capital acquisition, since the time required to meet SSP's full-time work requirement may have crowded out the pursuit of educational upgrading.

Data on educational attainment in the SSP Recipient study were obtained through four telephone surveys, which used relatively consistent questions about educational attainment and about courses taken since the date of the last survey. However, Riddell reported that the data appear to be subject to an enormous amount of measurement error and inconsistent responses. For example, a substantial number of people say they have a high school diploma in one survey but in a subsequent survey report that they do not have a high school diploma. Similarly inconsistent responses are numerically even more important for data on enrolment in college or a trades program. He indicated that for this analysis two datasets were used: one that included only those with no inconsistencies in responses and a second in which the data have at most one inconsistent response.

First, Riddell noted that a substantial amount of educational upgrading took place in this sample. Among those who were high school dropouts at baseline, 18 to 20 per cent (depending on the dataset used) had completed high school by the time of the 54-month follow-up survey. A similar proportion upgraded to college or trades programs (although he noted that there was more measurement error with respect to these data).

Second, he reported that members of the control group were more likely to upgrade than those in the program group. Of those who were high school dropouts at baseline, 22.8 per cent of the control group had obtained their high school diploma 54 months later compared with 18.2 per cent of the program group. Riddell suggested that the 4.6 percentage point impact is consistent with the view that since program group members were more likely to be working full time, they did not have the time to participate in further education. He also noted that the largest impact on upgrading occurred during the first half of the SSP program, which was also the period when the full-time employment impact was greatest. Among those not enrolled in college or trades programs at baseline, 3.7 per cent more control group members had enrolled by the time of the 54-month survey compared with program group members (there was no difference with respect to trades programs but a substantial difference in enrolment in college courses). None of these results is sensitive to different methods of handling measurement error.

Riddell then presented findings on the impact of educational upgrading on labour market outcomes. The analysis was based on comparisons between those who upgraded their education while members of the SSP research sample and those who did not, and two statistical approaches were used — regression analysis and matching methods.

First, a large employment effect was associated with upgrading to a high school diploma. High-school dropouts at baseline who later got their high school diploma were either 8.2 percentage points (using regression-based methods) or 12.6 percentage points (using the matching method) more likely to be employed at the time of the 54-month survey than dropouts who did not subsequently obtain a high school diploma. In contrast, no significant differences were found in the employment rates of people who enrolled in college or trades programs compared with those who did not. He noted, however, that some of those who enrolled may not have had time to complete their college or trades program by the end of the survey period, so it is not clear how much should be made of this result. He also reported that in the period prior to engaging in educational upgrading, those who upgraded had no statistically significant differences in employment compared with those who did not upgrade. He suggested that this was evidence that the subsequent differences in employment were being caused by the educational upgrading rather than by some unobserved difference that was correlated with both upgrading and employment. Consequently, his view was that this evidence is quite strong, if not conclusive.

Second, with respect to wages, high school dropouts at baseline who subsequently obtained a high school diploma and were working by the end of survey period had substantially higher wages than those who did not upgrade. However, wages were almost identical for those who enrolled in college or trades courses and those who did not. Riddell expressed less certainty with respect to the wage results. Measuring wages conditioned on employment status reduced the sample size and increased the standard errors. Moreover, in the period prior to upgrading, those who subsequently obtained a high school diploma were already showing somewhat higher wages than non-upgraders. This suggests there could be selection effects — those who were working and receiving somewhat higher wages were probably better workers or more motivated in ways that were not observed. He argued, however, that selection effects would still only account for about half of the wage differences between high school upgraders and non-upgraders at the time of the 54-month survey. So his sense was that educational upgrading was causing the increase in wages, but he did not feel he had evidence strong enough to be conclusive.

In conclusion, Riddell summarized his findings as follows:

- There appears to be a significant amount of formal educational upgrading going on among long-term income assistance recipients.
- In the SSP recipient study, those in the control group were more likely to upgrade than program group members.
- Substantial employment and wage gains were observed for those who upgraded to a high school diploma.
- There is substantial measurement error in the data, which makes it difficult to draw firm conclusions.

- There is some evidence for the view that “work-first” programs might have the unintended consequence of reducing participation in educational upgrading.
- The overall absence of any positive impact on wages in the SSP experiment may be explained, at least in part, by the beneficial effects of increased work experience being offset by decreased human capital acquisition through formal educational upgrading.

During the subsequent discussion, Riddell acknowledged that respondent error could be generating what appear to be consistent responses as well as inconsistent responses and that the exclusion of data that only contain inconsistent responses can also impart some bias. He indicated that he hopes to be able to use a more formal model of measurement error that would allow all of the data to be used.

Jorgen Hansen is an Associate Professor of Economics at Concordia University, Montreal. He spoke on the educational attainments of new welfare applicants in the Self-Sufficiency Project (SSP) Applicant study.

Hansen began by noting that the participants in the Applicant study have somewhat different incentives for educational attainment than participants in the Recipient study (Riddell on page 37 looks at education in the Recipient study). Applicants must remain on welfare for 12 months to become potentially eligible for the supplement. During that period, they may wish to upgrade their skills so that they have a better chance of getting a job and receiving the supplement. On the other hand, Hansen noted, if a participant receives a very high wage, then the supplement would not be paid at all.

Hansen said there is not a lot of knowledge about the education of welfare applicants. His research documents their educational attainment over time as well as the differences in attainment between the treatment and control groups. In addition, Hansen said his research shows the effect of education, training, and work experience on the probability of leaving and re-entering welfare and compares these effects with the effects of an earnings supplement.

Hansen noted that persons with more education and experience may be more likely to leave welfare. He cautioned that this does not necessarily mean that education and experience *caused* early welfare exit. Both may be caused by other factors such as ability, which is not observed by researchers. Hansen believes that these unobserved factors are crucial for understanding the relationship between education and welfare.

Hansen said there is a “conventional wisdom” that more-educated recipients exit welfare faster. This has been documented in a number of studies by such researchers as Gary Barrett and Rebecca Blank. Blank found that education makes people leave welfare faster when they leave for reasons of higher earnings, but education has no effect on departures for other reasons such as marriage. Prior research found that education has no statistically significant effect on the re-entry rate into welfare. “So once you are off welfare, education doesn’t help you to stay off welfare,” Hansen said. Finally, referring to research presented by Chris Riddell at the symposium (see page 37), educational upgraders have better labour market outcomes than non-upgraders in the SSP recipient study, Hansen said.

Hansen said he can show similar results with Applicant participants provided that he does not use statistical techniques that control for any unobserved factors that may be causing both education and labour market behaviour. Without these additional controls, education appears to increase the rate that applicants leave welfare and has no statistically significant effect on the rate that they return to welfare. Applicants who have completed high school are statistically more likely to exit welfare due to higher earnings, but they are not more likely to exit for marriage or other reasons. University attendance is significant for all types of exits. Hansen concluded that both the previous academic literature and the Applicant data (without statistical controls for unobserved factors) show that education reduces welfare use and improves labour market outcomes.

However, Hansen said these “results” are only correlations and may not be causal effects. It is not necessarily the case that it is the education causing these women to leave welfare, he warned. Educational attainment may be correlated with other factors that are unobserved to researchers. These factors may reduce welfare use and improve outcomes. It could be that the women who leave welfare have higher preferences for work or they have different family

backgrounds or other unobserved factors that make it easier for them to get off welfare but, at the same time, these factors make it easier for them to have higher educational attainment. It is unclear at this stage whether the effects of education are causal or not, he said.

Turning to the features of the Applicant data, Hansen said a participant's educational attainment would often be listed as higher in earlier surveys than it would be in later surveys. Hansen used two approaches to deal with this inconsistency. In one approach, he excluded inconsistent observations, while in the other approach, he assumed that the first transition is correct and that educational attainment cannot disappear. The sample selection reduced the sample in half but did not appear to change the main features of the data. Hansen then divided the Applicant data into three groups: 1) the "take-up" group who received at least one supplement payment, 2) "no-take-up" group who were potentially eligible but who did not get a job in the 12-month job-finding period, and 3) the "not-eligible" group who were not eligible because they were not on welfare for 12 months following baseline.

Hansen said that at the beginning of the study the high school drop-out rate was much higher for applicants than for the general population, while the university attendance rate was much lower. After that, there was substantial upgrading in education with results that are quite similar to the findings in Chris Riddell's research (see page 37). However, there were no large differences between the program group and the control group in terms of upgrading from "less than high school" to "high school or more." None of the differences is statistically significant though that may be due to the relatively small sample, Hansen said. Among those who were high school drop-outs at baseline, 29.1 per cent of the take-up group had upgraded to "high school or more" by 30 months, while only 15.6 per cent of the no-take-up group had done the same. This large difference might indicate that the take-up group had incentives to upgrade their education to improve their chances of getting job offers, Hansen said. There was quite a bit of upgrading in university attendance. There is no significant difference between the program and control groups, but the take-up group had more upgrading than the no-take-up group. Work-related training also increased substantially. By the end of the six-year period, 47 per cent of the program group had completed some form of work-related training. However, the take-up group completed more work-related training than the no-take-up group.

To estimate the causal effect of education and training, Hansen used a multiple spell model that allowed for correlation between welfare and non-welfare spells. In some models, he allowed for correlation between the unobservable effects and education, training, and work experience. The latter correlation is the key assumption, Hansen said.

When we assume that education and training are exogenous, then an increase in education increases the likelihood of leaving welfare. If this were true, then if we forced people to complete high school, we would increase their chances of leaving welfare. However, if education is treated as endogenous (allowing for correlation between unobserved effects and education), then the effects of education are close to zero and not statistically significant. This would indicate education was not causing the welfare applicants to leave welfare. Instead, it was unobservable factors, he concluded. This means that if policy-makers were to force people to complete their education, it would have only a limited impact on the rate the people leave welfare. In contrast, job-market training remains statistically significant even when it is endogenous, though the effect is reduced in size. There is some sort of effect

of more specific skills taught in job-training programs that is not present from the general skills typically in high school completion programs, Hansen said.

There are no effects of education on people re-entering welfare if education is treated as exogenous. However, Hansen said that when education is treated as endogenous, his results show people with only a high school diploma are *more* likely to return to welfare than a high school dropout. He said he could not offer an explanation for the result, which he described as “strange.” However, training has significant negative effects on the probability of returning to welfare. Again, training appears to be quite effective while formal education does not, he concluded.

In other results of his research, Hansen said the duration of full-time employment significantly reduces welfare re-entry rates. He called the result important but said he did not know whether the result was due to learning that happens during employment or changing preferences towards employment. The implication of the result is that the SSP earnings supplement has both a direct effect and an indirect effect on welfare use. The indirect effect is that the economic incentive increases employment and that employment, in itself, reduces welfare use. The effect of the earnings supplement was clearly larger than the effect of education, which was virtually zero and statistically insignificant once it was treated as endogenous.

Hansen concluded that educational upgrading is common. If an education policy were introduced, there would be a lot of windfall gain to those who would have upgraded their skills in the absence of such a program, he said. Work-related programs may be more effective than general education programs in reducing welfare use.

NOVEMBER 16 PLENARY SESSIONS

Robert Moffitt is the Krieger-Eisenhower Professor of Economics at Johns Hopkins University, the chief editor of the *American Economic Review*, and an expert on the economics of welfare. He spoke on two topics: entry effects and the challenges of “scaling-up” from a small-scale research project to a broad-based program.

Moffitt said that there is strong evidence from many American programs that changing a program to make it more generous or to make it available to a wider population will cause people who would not otherwise have interacted with the program to enter it in order to access the benefits being provided. There is a trade-off between the size of the group covered by the program and the size of this “entry effect.” Programs that are restricted to a narrow group and that have relatively difficult entry requirements will have small entry effects, because the larger population will not be willing to do all that is required to make themselves eligible. If, however, the program is more generous and less restrictive, then it is likely that entry effects will be more substantial.

With respect to scaling up, Moffitt introduced what he called the “iron law” of program implementation. Large-scale programs will have smaller effects than those that were achieved by the innovative smaller initiatives on which they are based. He then went on to discuss a number of reasons for why this is so.

First, scaling-up may involve taking the program to a new population, which may lead to different effects. It may be possible to estimate the effects of the program on different combinations of ages, genders, and other observable variables in the new population simply by re-weighting the data from the small-scale project. A much harder problem is trying to extrapolate to a population that is not in the sample from the original small-scale project. He gave the example of the puzzling differences across sites in a well-known experiment, the Job Training Partnership Act (JTPA) evaluation, which found positive effects overall but where the results from individual study sites were “all over the map.” Referring to the Self-Sufficiency Project (SSP), Moffitt noted that the differences in impact estimates between New Brunswick and British Columbia were not very large, which provides some confidence that the findings could be extrapolated to another province.

Second, he noted that if wages adjust to changes in labour supply and demand, then any program that increases the supply of workers will decrease wages. When average wages fall, the incentive to work is reduced and some of those who may have responded in a small-scale project (which was not large enough to affect wages) will now not respond. In this case, scaling up results in a “feedback effect” that is counter to the initial effect. (See Jeremy Lise on page 18 for an example of modeling this type of effect.) Moffitt said he is skeptical of estimates of how large this market feedback effect is, because a lot of assumptions are required to extrapolate far beyond the data. The key assumption is the size of the labour market that program participants are entering. If, for example, they were entering the low-wage, low-skill, high turnover labour market and competing with many others, then the effect on wages of increasing the labour supply could be negligible. However, this is a very difficult question to answer, he said.

Moreover, once a program begins to affect a widespread change in behaviour, Moffitt said that there may be “social effects” as norms and expectations begin to change. Social effects are often the goal of a program, but a small-scale experiment is not substantial enough to generate these effects. Usually, policy-makers want social effects. He suggested that the real goal of the 1990s welfare reform in the United States was to change the culture of welfare and to change the expectations of welfare recipients so that when people were on welfare, they were expected to work. “Whether you like the reforms or you don’t, I think those reforms achieved that,” Moffitt said. However, a large reform is needed to bring about those kinds of changes. He said it is conceivable that a large-scale SSP-type program could have social effects, but they are hard to predict. Modeling may provide some “ball-park” estimates of potential effects.

Moffitt described “institutional effects” as what happens when an innovative program is integrated into existing administrative structures, especially if the program runs counter to existing administrative-cultural norms. For example, the culture of the US welfare system prior to the 1990s reform was that of a cheque-writing organization, where most of the effort went into trying to establish eligibility and making sure that everybody who qualified for benefits received them. A goal of the reforms was to change that culture to one in which the attainment of work was a major objective. However, cultural change is often difficult to accomplish. In addition, while it may be possible to run a new, exciting, small-scale experiment with simplified administration and eligibility conditions and dedicated staff who want to make the project work, these conditions may not be replicable in a large administrative structure.

As an example of organizational factors, Moffitt discussed welfare earnings disregards — a form of making-work-pay strategy. He said there is a widespread feeling in the US that earnings disregards do not work very well. Case workers have to do a lot of work for a working client — checking earnings, getting information on work-related costs — that is not required in the case of a non-worker. He suggested that some caseworkers regard having working people on the welfare rolls to be a workload burden. In addition, the earnings disregard formula is very complicated and is not well understood by many clients. Clients may not perceive that the benefit reduction rate is lower. In addition, a poorly understood formula generates perceived risk — one that many clients may not be willing to take — that going to work may not produce the hoped-for financial benefits. Organizational factors are very hard to forecast, Moffitt said.

Moffitt concluded by stating that predicting scaling-up problems is easier in some cases than in others. The best approach is to construct a model to focus one’s ideas, calibrate it as far as possible using available experimental data, then use non-experimental evidence to calibrate the rest and do sensitivity tests. Such a model can establish a range of where the effects are likely to lie. He pointed to the presentation by Chris Robinson (see page 29) as an example of this approach. “I am a big fan of micro-simulation models,” he said.

Doug Scott, Senior Policy Analyst with the Saskatchewan Department of Community Resources and Employment, spoke on the way benefits and services were being restructured in Saskatchewan in order to make work pay.

Scott characterized the Saskatchewan welfare system in 1997 as having a policy goal of preventing destitution. It was administered by welfare offices that relied on face-to-face contact with clients by staff who had heavy caseloads, employed limited case management and cursory employment planning, and placed an emphasis on benefit administration. He noted that, although the system officially had such goals such as poverty reduction and individual case planning, it lacked the program tools and the time to achieve these goals in an effective manner.

By 2005, however, Scott said the system had changed radically with a much greater emphasis on employment and the provision of in-work benefits, employment assistance, and intensive case planning. Benefits were increasingly administered through regional contact centres and the tax system to free up caseworkers' time for case management. To encourage employment, Saskatchewan made benefit programs available to the working poor. For example, provincial and national child tax benefits replaced welfare child benefits. The Saskatchewan Employment Supplement (SES) gave earnings supplements to the working poor. Health benefits were extended to poor families with an emphasis on families with children. In 2005 Saskatchewan introduced rent subsidies that are available to both welfare clientele and the working poor.

Scott said that the changes were motivated by rising welfare caseloads in the 1980s and 1990s, which saw the caseload increase from 4 per cent of the population in the late 1970s to 8.2 per cent by 1994. There was a ratcheting-up effect, where poor economic conditions raised caseloads but good economic conditions did not significantly lower them. He described a number of external factors that contributed to this rise, including labour market factors (such as higher rates of unemployment, rising levels of "non-standard" employment, and the loss of low-skill entry-level jobs combined with the increasing skill requirements of better-paid jobs); demographic changes (especially an increase in the number of lone parent households); and federal government policy changes (such as changes in the UI/EI program and changes in the responsibilities for social assistance for off-reserve First Nations clients).

However, Scott also pointed to a number of factors internal to his department. The benefit structure provided little incentive for welfare recipients to find or take employment, because benefits, especially for families, were high relative to wage levels for available jobs. Moreover, intrusive, paternalistic practices, acted to erode, rather than enhance, capacity for independence. He described, for example, how the department would assume responsibility for paying utility bills, leaving them with no experience in dealing with bills when they left welfare. "You can't teach people to behave responsibly by taking responsibility away from them," Scott said.

The broad goals of the new approach, called "Building Independence," are to reduce incidence and depth of poverty, promote labour force attachment, reduce welfare caseloads, and return welfare to a program of last resort by reducing length of welfare spells and reducing the likelihood of falling on to welfare. The key to the new approach was described by Scott as a belief that the best route out of poverty is employment and the solution involves ensuring that households would always be better off when working. An example of how this

new thinking was implemented was the delivery of targeted income support outside the welfare system through simple income-tested programs and the extension of those benefits over a wider range of incomes, reducing them gradually as income rises.

The watershed moment for Saskatchewan, according to Scott, was the introduction of the Canada Child Tax Benefit and the National Child Benefit Supplement. The Saskatchewan government moved quickly to augment these benefits; it removed child benefits from the welfare system and gave them to all poor families, whether they were working or not. As federal benefits increased over time, the Saskatchewan benefit decreased.

He described how SES supports employment by paying a supplement on earned income and on spousal maintenance payments. Families with neither source of income receive no benefits. Supplement payments increase with earnings, the number of children, and the ages of those children. Families with earnings between \$11,000 and \$14,000 qualify for the maximum benefit, with payments tapering off as earnings increase beyond that point. SES is, in many ways, similar to the US Earned Income Tax Credit (EITC). It is not intended as a time-limited benefit designed to help the transition from welfare to work. However, SES in combination with child benefits may be sufficient to delay or prevent welfare entry because only 14 per cent of SES families are receiving welfare, although almost half of SES families would appear to be eligible for it, based on income and family size. However, Scott also said that take-up of the supplement was slow to build and difficult to maintain. In part, he faulted the communications strategy of the program that too often left clients confused about its nature and purpose.

Scott pointed out other program supports to employment. Family health care benefits are offered to the working poor in order to reduce the health care risk of families leaving welfare for low-income jobs. Otherwise the families might remain on welfare where they have health benefits. The major focus of the benefit is the health needs of children; more restricted benefits are available to adults. A rent supplement assists low-income persons and persons with disabilities. It is available to welfare households but can also be paid to some families with higher incomes that would not qualify for welfare. The amount of benefits depends on family size and location in the province.

In 1997 a lone parent with one child who took a minimum-wage job would earn almost exactly the same as the amount he or she could receive remaining on welfare and not working. By 2005 the same person would earn almost \$5,000 a year more than the amount paid by welfare, principally as a result of SES.

Saskatchewan also changed its service delivery system to re-focus staff effort away from benefit administration toward intensive, focused support and case planning to clients. Scott described how initial applications are now made at the provincial contact centre rather than a social assistance office, and employable clients immediately receive an employment assistance program, called “Jobs First,” that provides employment information and job-finding services. When possible, these are delivered through the Canada–Saskatchewan Career Employment Centres rather than the social assistance office. Clients can also receive a short-term welfare-like benefit called the “Transitional Employment Allowance” (TEA), which now covers 70 per cent of new welfare applications. The goal is to provide a clear employment stream for all employable clients, he said.

As a result of these measures, the percentage of provincial residents on social assistance fell from more than 8 per cent in 1994 to 4.9 per cent in 2005. The caseload of employable clients has been cut in half since 1994–95. However, the not-fully-employable caseload, often persons with disabilities, is still almost as high as in 1994, which “points to the challenge that lies before us,” Scott concluded.

Don Norman, Program and Policy Development Specialist with the Income Support Division, Newfoundland and Labrador Department of Human Resources, Labour and Employment, made a presentation on the Single Parent Employment Support Program (SESP), a pilot project operated in St. John's by the Single Parents Association of Newfoundland and Labrador.

Norman described how SESP was developed against the background of a departmental re-organization in 1997. Prior to that, his department had responsibilities for a number of program areas, including income support, child welfare, youth, and corrections. The urgency of issues related to child welfare meant that other programs were usually given a lower priority and less attention. The 1997 reorganization allowed the department to focus solely on income support and career, employment, and youth services. "It gave us the ability to better address our income support programs and also to train our staff much better than we had done in the past. I think that is important to recognize," Norman said.

The Single Parent Employment Supplement Program was started in August 1998 in partnership with the Single Parent Association of Newfoundland and Labrador. The program combined income support and employment support to assist unemployed single parents on income assistance prepare for, obtain, and maintain employment. It was designed to increase the income of single parents through employment and decrease their employment barriers. Norman described the goals of the project as simplifying delivery, producing savings for the Income Support Program, and providing lessons for the re-design of the department's Income Support and Employment Programs.

SESP is designed for single parents with at least one dependent child. The parent has to have at least a Grade 10 education, have received income support for at least three months, and be unemployed or working fewer than 20 hours per week. SESP begins with a six-week period of job-readiness and job-search skills training provided in a group setting to classes of about 15 to 18 participants. This is followed by a four-week period of intensive job search. Supports in the form of child care and transportation assistance are provided during this initial 10-week period. Personal supports while working are also provided.

SESP provides an Earned Income Supplement (EIS) to make it financially rewarding for single parents to accept work. EIS is paid after the first 30 hours of work in a month, and the amount of the supplement varies between \$1.00 and \$2.50 an hour up to a maximum of \$300 per month. Higher hourly supplement rates are paid for more hours of work and/or for higher hourly wage rates to provide an additional incentive to participants to increase their work effort and to progress in the labour market.

One of the goals of SESP, Norman said, is to ensure that participants have the necessary skills to progress once they begin working. Too often, those who go to work find that in order to progress they have to upgrade their education but, once working, they are reluctant to give up their job to go back to school. Consequently, potential participants without a high school diploma must first meet with a career development specialist to determine if they should get their high school diploma before commencing employment.

Norman presented a summary of the findings from an evaluation of SESP. Of the 318 single parents in SESP between August 1998 and December 2001, 80 per cent obtained employment, and 36 per cent had left Income Support by the end of June 2003 (compared with 21 per cent of a comparison group of income support recipients). Norman noted that

although some of the exits from the Income Support program may have been the result of marriage or leaving the province, “I would suggest that a high percentage left our program to go to work.

The SESP study found that single parents faced many barriers to employment including those linked to single parenthood (child-care and emotional support needs), personal issues (inadequate levels of self-confidence, self-esteem, motivation, education, and job-search skills), financial barriers (associated with transportation costs and access to health coverage), and physical and social barriers (disabilities, health problems of children, substance abuse, and domestic violence).

Norman said that SESP was breaking the intergenerational transfer of dependence on Income Support; reducing the use of the drug card; and improving participants’ self-confidence, self-esteem, and quality of life. The program incurred significant upfront costs, such as those related to providing the training and job search and subsidizing child care and transportation. Although benefits accrued over a longer period of time, he indicated that the program reached a break-even point in only two and a half years. Overall, he concluded that SESP was a cost-effective way to help clients move from Income Support to employment.

According to Norman, a number of key factors contribute to SESP’s success. First, clients want to take part; they self-identify for the program and are admitted if they meet the eligibility criteria. Second, SESP is delivered by a community agency rather than directly by the department; agency staff are supportive and play an advocacy role to make sure clients receive the benefits they are entitled to. Third, participants need to have earnings to qualify for the income support component, and EIS provides greater benefits to those with more hours worked and more earnings. Finally, SESP provides ongoing employment supports.

Based on the experience to date, Norman indicated that a new pilot project was being developed in the western region of the province, near Corner Brook. This project will have more or less the same program, although it will be operated by his department rather than an outside agency and will assist a similar clientele. However, it will face the additional challenge of operating in an area with fewer jobs and a higher concentration of rural communities.

Uncertainty concerning whether the program can be as effective outside the urban area of St. John’s and whether it is feasible to operate the program within the departmental administrative structure rather than relying on the availability of community-based organizations, together with the significant up-front per participant costs, has meant that, despite the positive evaluation findings, SESP has not yet been implemented on a larger scale, Norman said.

Robert Bruce, Manager of Research and Economic Analysis, British Columbia Ministry of Employment and Income Assistance, presented an overview of the substantial changes that have been made to the BC income assistance (IA) program since 1996.

The background to the program reforms was the soaring welfare caseload, even during a period when the BC economy was quite strong, Bruce said. Between 1991 and 1995 the welfare caseload doubled from 110,000 to 220,000. In January 1996 British Columbia introduced BC Benefits, a program that placed strong emphasis on employment and training for employable clients. In addition, the Ministry introduced the Family Bonus (which subsequently became the model for the National Child Benefit), mandatory training for all youth aged 19 to 24, and an optional training program for older clients.

More recently, in April 2002, BC Employment and Assistance (BCEA) was launched with a philosophy described by Bruce as “employment first; assistance second.” He described BCEA as revolutionary in Canada and a huge cultural change for the Ministry. Major changes included imposing time limits on the receipt of benefits by employable clients, eliminating earnings exemptions for employable clients, implementing a job-brokering program operated by a private contractor to move people off welfare and into employment, requiring a mandatory three-week period of job search prior to receiving benefits, and requiring single parents to seek work once their youngest child is 3 (rather than 7) years old.

Over the nine years during which BC Benefits and BCEA have been in place, the employable IA caseload has declined by 113,000 cases (or 83 per cent) even though the definition of “employable” has been expanded to include clients with drug and alcohol problems, mild mental illness problems, or mild medical conditions. Substantial caseload reductions have been seen across all family types. For example, Bruce described how the number of cases represented by single parents with children under 3 years of age had decreased by 43 per cent, even though these clients were exempt from some of the policy changes, such as time limits and mandatory job search. In addition, the composition of the current BC employable caseload is approximately the same in terms of education and work experience as it was prior to the reforms, indicating that clients with a range of characteristics experienced similar caseload reductions. Some “barriers” may not be barriers at all, Bruce said.

According to Bruce, most of the reduction in caseloads has been due to a decrease in the number of case starts. However, he indicated that the overall decrease is also partly due to reductions in the amount of time a person spends on welfare (for example, there has been a 12 per cent decrease in the duration of a welfare spell) and increases in the length of time those who leave welfare stay off welfare (for example, the proportion of people leaving welfare who return within 12 months declined by seven percentage points). Nonetheless, 95 per cent of those entering welfare have received benefits previously; there is what Bruce described as a substantial amount of “churning” in the system. Consequently, he said, having a lasting positive impact now will also have large impacts down the road.

Bruce described some of the program features of BCEA. For example, an employable individual can receive full benefits for a maximum of 24 months in any 60-month period. When the time limit is up, single individuals and childless couples are denied any further benefits, single-parent families have their benefits reduced by \$100 a month, and couples

with children face a \$200 reduction in monthly benefits. There are, however, 25 exemptions covering groups such as seniors and persons with disabilities. Moreover, even employable clients can receive benefits for more than 24 months if they are strictly adhering to an established employment plan.

Income assistance exit rates rose in all months, but Bruce noted that the exit rate doubled for those who reached the 24-month limit but were still allowed to receive welfare. The biggest impact was on couples and two-parent families, since only one member of the couple needed to find a job to remove the couple from welfare. Bruce said it is hard to determine the effect of these time limits, because many other policy changes were made at the same time. Part of the observed impact may be due to intensive case management, including preference for available job placements, that is initiated once a client has received 22 months of benefits.

In the past BC had experimented with many forms of earnings exemptions — flat rates, variable rates, higher exemptions, lower exemptions. Bruce reported that Ministry analysis has shown that rather than helping clients move off welfare more quickly, earnings exemptions had the opposite effect of keeping people on welfare longer. And the cases with declared income were more likely to be younger and well educated with previous work experience and shorter current welfare spells — precisely those who might be expected to make a relatively quick exit. According to Bruce, the effect of the earnings exemption appears to be to provide an opportunity for clients to combine income assistance benefits with part-time work, rather than taking full-time work and exiting IA completely. As a result, BC has now eliminated the earnings exemption provision entirely.

Bruce reported that BC's Family Bonus has now been virtually replaced by the National Child Benefit (NCB). Family Bonus was originally designed to lower the welfare wall by removing the child payment from the welfare system; it extended this support to all low-income families regardless of welfare status. When it was introduced, the Family Bonus assisted in an immediate caseload reduction of about 6,000 families. Many of these were families headed by people who were already working, and the removal of the child portion of the benefit was sufficient to reduce their benefit entitlement to zero, thereby removing them from the caseload.

For those who continued on IA, there was little change; their IA payments were reduced, but they received Family Bonus cheques from the Ministry of Finance for an amount approximately equivalent to the IA reduction. Bruce pointed this out as an example of the need for effective communication whenever policy changes are introduced. In this case, hearing about the new Family Bonus led many IA recipients to expect that the total amount they would receive would increase, rather than that they would simply receive the same amount, but now it would come from two different sources. His advice: "Don't call anything a bonus."

Most IA applicants in BC can no longer receive benefits immediately; they must first engage in three weeks of active job search, and when they return they must present evidence of what they have done to look for work. According to Bruce, this requirement has had a substantial effect; only about a third of applicants return. The remainder are either successful in their job search or are frustrated by this requirement. He noted that exceptions are made for emergencies, such as cases involving the food security of children.

Bruce spoke about the Job Placement program, which uses a private agency to place IA clients in jobs and provide supports to them for up to 30 months. Clients are referred by the Ministry, although the contractor has some flexibility to refuse clients who are judged to have too many barriers to be considered job-ready. The contractor receives milestone payments, such as for a client not receiving IA for three months, and the maximum amount is paid out only for clients who remain off welfare for 30 months. He suggested, however, that many of the initial payments likely represent a windfall to the contractor since half of IA clients leave welfare within three months anyway. He pointed out some of the issues to be dealt with in developing performance-based contracts. For example, initially the Ministry did not specify that payments for people remaining off welfare had to be based on them remaining employed. Consequently, milestone payments were made for some clients who were in jail, under house arrest, or dead. This has since been changed.

Bruce said the ministry's motto could be described as "Any job is a good job," and unlike programs in some jurisdictions he has studied, such as Oregon, no allowance is made for a client to refuse a poor quality job. In support of this approach, he pointed out that the wage level (one indicator of job quality) of a job obtained by a person leaving welfare is not a reliable predictor of whether a client will return to welfare. However, he noted, the number of hours of work in the job is important. Perhaps, he suggested, clients should be permitted to refuse part-time minimum wage work.

In conclusion, Bruce characterized the current welfare policy environment in BC as having "a very small carrot, and it is getting smaller, and a very big stick." He said it is not so much a matter of "making work pay" as it is "making people work."

Susan Williams, the Assistant Deputy Minister of the People and Skills Investments Division, Alberta Human Resources and Employment, gave an overview of how Alberta's system provides a focus on encouraging labour market participation.

Williams described how, in the past, Alberta had experienced high welfare caseloads, but welfare reform measures undertaken during the 1990s led to substantial reductions. By 1997 the income assistance (IA) caseload was quite small (currently 27,000 in total — or one per cent of the provincial population — and only 5,000 of them are expected to work). In 1997, she said, the province merged IA with career development and employment responsibilities, initiating a process that she described as “an interesting journey of bringing together policy and program development, merging service delivery, and creating a very different corporate culture.”

Among the tools provided to the new department was the Alberta Family Employment Tax Credit (AFETC), introduced in 1997. It was designed to provide financial support to children in low- and middle-income families while also providing an incentive to their parents to obtain and maintain employment. The AFETC is run through the federal tax system so individuals do not have to apply for it. To qualify, individuals must be a parent with at least one child under the age of 18, must have been a resident of Alberta for at least one month, must have annual earnings of more than \$2,760, and must have a net family income of less than \$37,500 for families with one child or \$50,000 for families with two or more children. In 2004 the AFETC paid out \$65 million to 130,000 families. Program changes in 2005 that reduced the minimum amount of earnings needed to receive the credit, increased the maximum credit for the first child, and increased the number of children in the family who counted towards determining the amount of the credit are likely to mean that payments will go to an estimated 16,000 additional families at an extra cost of \$25 million.

Williams noted several other program elements that provide incentives to employment: IA recipients who are categorized as “expected to work” receive lower benefits than those assessed as “not expected to work;” an Alberta Child Health Benefit is made available to all low-income families, not just those in receipt of IA; and as a transition measure, certain groups of clients who leave IA for work can take their health care benefits with them.

However, the area that Williams emphasized as perhaps being most important is the provision of employment and training services designed to ensure that low-income, low-skilled individuals get the skills they need to advance in the labour market. She said that Alberta currently spends about \$288 million annually (a combination of provincial funds and money from the Employment Insurance fund) to help 40,000 Albertans upgrade their workplace skills each year. Clients can receive funding for up to a lifetime limit of 40 months, and funding, which can be put toward tuition, books and educational materials, and living allowances, can go up to \$35,000 a year for a full-time learner. IA recipients who are engaged in full-time training receive benefits at the same level as those categorized as “not expected to work.” The province even funds positions within the public and private college system to identify potential learners, assess their skill development needs, and help them access income support and training opportunities.

Williams identified some issues and challenges that the department is currently dealing with, including

- legal challenges based on some groups being able to access certain benefits while others cannot;
- the need to expand opportunities for part-time skills upgrading (especially for basic literacy and numeracy courses or to obtain a high school diploma) so that learners can advance their skills without leaving the labour market;
- ensuring that those who are eligible for certain services actually receive them (she mentioned, for example, that only about two thirds of the children who are eligible for the Alberta Child Health Benefit are currently registered for it);
- a possible need to increase the maximum duration of support for English-as-a-Second-Language training and occupational training from one year to two years; and
- the ongoing need to simplify administrative procedures and improve system design in ways that make the procedures easier for clients to use and understand.

Williams said that adopting an employment-focused approach has been a huge shift for many of those in the department. “We are not just about welfare anymore,” she said; now the first point of discussion is skill sets and removing barriers to work; discussions of income support come later. Staff spend more time interacting with employers, with training providers, and with the broader community. However, she said that even after eight years the transition is still not complete. Some staff have embraced the changes and are proud to come to work and be able to talk to clients about a positive menu of programs and services; others were more reluctant to buy into the changes, and they usually move on to other areas of responsibility. Also there is still not a good understanding of how spending on people can be an investment rather than a cost. Sometimes, she said, it is hard to make changes to programs that entail costs even though they can pay for themselves by generating savings over time.

Williams noted that bringing together income support and skills development revealed that there was a wealth of information and analysis available on training programs but a dearth of information related to income support. Historically, she said, the sole focus had been on getting the caseloads down and there were few other performance measures for the IA system or its clients. There was little evidence to provide a basis for why certain practices had been adopted or why certain groups were targeted for interventions and others not. On the other hand, she thought there were significant difficulties in getting people at senior levels of government to buy into long-term research projects that would not produce findings quickly enough to inform decisions that have to be made within their tenure in that senior position.

In conclusion, Williams indicated that she thought Alberta had been successful in putting in place an effective set of programs for helping people participate in the labour market. The focus now is on integrating service delivery and simplifying programs so that they are easier for clients to understand.

Serge Hamel is the Director of Evaluation at the Quebec Ministry of Employment and Social Solidarity. He spoke on three Quebec programs that supplement working income.

Hamel said earnings supplementation has been part of the Quebec social policy mix for over 20 years. In 1988 The Parental Wage Support (PWA) program (or “APPORT”) was introduced, replacing an earned income tax credit. The PWA provided monthly benefits to families with children, provided that their earned income was higher than \$100 but lower than a given threshold. It started slowly. In 1991 the formula for calculating benefits was changed, and then there was strong growth in participation. In 1997 changes in government benefits made fewer people eligible. The PWA was in effect until 2004 and, over the years, the take-up rate was consistently low, mainly because of the complexities of the rules of the program. General satisfaction with the program was good, and it was perceived to have a positive role in providing financial support. Concern over fairness issues had given rise to a program that was extremely difficult to understand from the point of view of potential beneficiaries. Calculation of PWA monthly benefits was based on projected income for the year, but final calculation of entitlement was reconciled with the amount of income the family actually earned. This could give rise to families having to reimburse benefits received during the year at the time of income tax filing.

Summative evaluations of the PWA indicated that about only one in six eligible families was receiving benefits in 1992 and 1993. And among families who exited the program at one point or another, about one in five interrupted their participation because they wrongly assumed they were not eligible anymore. More than two thirds of families who exited the program were exiting because they were no longer eligible. Of those, 42 per cent became ineligible because their earnings fell below the minimum of \$100, while 29 per cent lost eligibility because they earned more than the maximum and thus were moving towards self-sufficiency, Hamel said.

Impact analyses suggest that in 1993 the PWA increased earnings by \$433 and the number of weeks worked by 1.66 weeks and decreased benefits received from Employment Insurance by \$139. These impacts diminished over the next two years. PWA had little effect on social assistance payments in the first two years but increased payments by \$84 in the third year. Results were more positive for some subgroups such as single-parent families and persons less than 30 years old.

Following consultations with SRDC, Quebec introduced a pilot project called “Action Emploi,” modeled on SSP. Participants were long-term social assistance clients who had been on social assistance for three years out of the previous 45 months. All family types were eligible. This project started in 2001 and enrolled 13,402 people by 2002. The last benefits were paid in November 2005. Evaluations of Action Emploi are underway and, depending on the results regarding the effectiveness of the program, considerations may be given to again implementing a similar program.

In 2005 the PWA program was replaced by the Work Premium (la prime au travail), a worker income supplement provided in the form of a refundable income tax credit at the time of tax filing. Contrary to the PWA, the Work Premium is accessible to all low-income earners, whether they have children or not.

Payments depend on family type, earned income, and family income. To receive a payment, earned income must exceed \$2,400 (for a single person or single parent) or \$3,600

for a couple. In addition, annual household income must be less than a maximum that varies with family type: \$14,810 for a single person and \$42,800 for a couple with at least one child. Maximum payments also vary with family type: \$511 for a single person, \$784 for a childless couple, \$2,190 for a single parent, and \$2,800 for a couple with at least one child. Quarterly allocations can be paid in advance to families with children to face immediate financial needs. It is expected that this program will be a better instrument to fight poverty and will be more responsive to the needs of all low-income earners, Hamel said.

Karen Glass, Director of Ontario Works, made a presentation on welfare reform in Ontario and the Ontario Works program.

Glass described Ontario's welfare caseloads and expenditures as "going through the roof" in the mid-1990s. Significant changes were made to the income assistance program in response to the need to control expenditures, to respond to growing demand from the public for some kind of accountability in welfare spending, and to meet a shift in public attitudes concerning the nature of the welfare program (less of an entitlement program designed to fight poverty, more of a temporary support program intended to promote self-sufficiency).

In 1996 Ontario Works was launched, which reduced benefit levels by about 21 per cent, tightened social assistance eligibility requirements (including stricter rules on assets and the placing of liens on people's homes), implemented additional anti-fraud measures, and imposed an obligation to participate in employment measures. In the short term, the emphasis was on active job search; over the longer term, the focus was on building skills. In keeping with the employment focus, there was also an earned income disregard, as well as a number of employment supports (assistance with child care, transportation, and health-related costs). The program focused on pre-employment supports.

During the second half of the 1990s, there was a significant caseload reduction; in part due to welfare reform and assisted by a booming economy. One result, Glass noted, has been that an increasing proportion of the caseload is made up of people with multiple barriers. In addition, despite increased focus and spending on employment assistance activities and supports, the caseload has been slowly but steadily increasing since 2001.

Currently, Ontario Works offers both temporary financial assistance and employment supports to help people move to paid employment. Benefit recipients must participate in activities that will support their progress towards employment. Ontario Works delivery agents are required by legislation to provide a balanced program of employment activities and financial assistance.

Financial assistance includes money for basic needs and shelter, as well as health benefits, moving costs, and job start-up expenses. A single parent with one child currently receives a maximum of \$987 in basic needs and shelter allowance. Glass describes the benefits as "not the richest in the country, but they are not the lowest." Employment assistance measures include practical help, such as resumé writing, community job placements in non-profit and public sector organizations, support for self-employment, short-term job skills training, and literacy training. Assistance is also available to help individuals with employment-related expenses such as transportation, work equipment, and child care. Special programs include the Learning, Earning and Parenting (LEAP) program for young parents and an addictions counselling program. There is still a substantial focus on pre-employment services.

Glass also stated that Ontario has also been attempting to simplify its programs and procedures to make them more cost-effective. Steps include such measures as reforming the electronic reporting system, reducing paperwork, removing steps from the intake screening process, and making application forms more accessible. A specific example she gave was eliminating the two-step application process by which people applied for social assistance by phone and then met in person with a caseworker to go over the application form. The initial requirement has now been eliminated, and intake now begins with a one-step application and review process that saves money and provides better service to the client.

Ontario Works is continuing to evolve. Glass spoke about a number of recent changes that have been made to strengthen incentives to work and to respond to clients' needs. She emphasized that people on social assistance really want to work but that finding and maintaining a long-term job can take a long time and requires ongoing support. Among the changes she discussed were

- an increase in the informal child-care allowance from \$390 to \$600 per child per month (and she described informal care as crucial to the large number of clients who work evening and weekend shifts),
- enhancements to the earned income disregard (to exempt 50 per cent of all earnings from employment),
- provision of a transitional health benefit for those leaving social assistance for work,
- a new debt recovery process for the significant number of clients who have overpayments, and
- the removal of some of the more punitive measures, such as putting liens on houses, and allowing asset exemptions for RESPs (measures which she said were part of an effort to improve the “face” of the department in tone and approach).

Glass noted that 91 per cent of Ontario Works clients have received social assistance more than once in the past 12 months. This indicates, she said, that “our clients can get jobs but they can’t keep their jobs.” With that in mind, Ontario has started the JobsNow pilot project in six sites for recipients who have spent at least 12 months on social assistance over a 36-month period (and who are not currently in school, in another employment program, or awaiting a decision from Ontario Disability Supports Program). JobsNow participants are matched to jobs by a company hired by Ontario Works that has experience in delivering employment placement and retention services. Participants receive ongoing job retention supports for up to 18 months. A 42 per cent placement rate is anticipated during the pilot project and payments to the company will be based on the income assistance savings that accrue as a result of clients being in jobs.

Glass described how the funding model for Ontario Works delivery partners was also being changed to one that was more results-based. Funding will be directly linked to employment outcomes, such as earnings, increased employment, and enhanced employability. So far one outcome has been introduced — increased employment earnings — with four measures (the increase in the proportion of the caseload that has earnings, the increase in the average monthly amount of earnings, the increase in average monthly percentage of caseload exiting to employment, and a two per cent reduction in financial assistance expenditures as a result of clients' earnings). She said the introduction of additional outcomes and measures would be a gradual process that would involve discussions with the network of delivery agents. Some outcomes, such as increased employability, will be difficult to measure. It will also be important to recognize that external factors, such as how well the economy is performing, will have a major influence on what happens to the caseload.

In closing, Glass said that there was still much to learn. “There are a range of supports available. We need to evaluate them. We need to recognize our diverse caseload.”

WHERE DO WE GO FROM HERE? A ROUNDTABLE DISCUSSION

The final session of the symposium was a roundtable discussion chaired by Social Research and Demonstration Corporation (SRDC) Executive Director John Greenwood. The panel for the roundtable was made up of Rick August, Executive Director of Strategic Policy, Saskatchewan Department of Community Resources and Employment; Robert Bruce, Manager of Research and Economic Analysis, BC Ministry of Employment and Income Assistance; Sharon Knott, Director of Career Employment and Youth Services, Newfoundland and Labrador Department of Human Resources, Labour and Employment; and Jean-Pierre Voyer, Executive Director of the Policy Research Initiative in the Government of Canada's Privy Council Office.

Rick August

August described what he termed “a serious, historic policy error” — implementing policies in the name of social security that entice people away from doing what is in their own best interest and in the best interests of society. Work is the primary means of income distribution but, he argued, social policies “do a great deal to make *not working* pay,” with the result that vulnerable people find themselves economically disempowered, dependent on their fellow citizens, and held back from achieving the simple elements of a good life that most enjoy.

He said the public has given wide permission to governments to use transfers to modify market outcomes, but he described it as unfortunate that social policy is viewed mainly as a way to counter market forces rather than seeking to harness market forces, and the motivations of people operating in markets, in ways that will lead to better social outcomes. After all, he said, “the economy is our most important social relationship.” The key issue is determining what behaviours will be encouraged or discouraged by social programs.

August described current public policy as still influenced by 1960s thinking, a view he described as believing we lived in a permanently rich society and the only issue that had to be addressed was redistribution. However, in a society where work is the mainstream and the norm, excluding citizens from work does them, and society, a profound disservice, but, he said, that is precisely what is done by current welfare systems, which he described as “not much more than a state-run version of an age-old charity model.” There is a critical flaw in this model: “Pay people not to work and they will tend to oblige even if it is in their longer-term interest to follow another path.” The end result is a large number of people who are marginalized in society and the economy coexisting with significant and growing labour shortages.

He argued that social security is not a birthright but should be viewed as a consequence of a personally and socially responsible citizen contributing to society at whatever level or capacity he or she is able to contribute. The aim of public policies should be to harness the motivations of individuals to achieve a better life and to play a contributing role in their communities. However, he said, this will take time. He described Saskatchewan as having developed a distinct underclass of individuals with little education, inadequate literacy or numeracy skills, and little or no “personal work culture.”

Confronting this legacy will take more than programs providing incentives for labour market participation; it will take what August called a “human resource reclamation strategy.” Such a strategy should be aligned with the government’s productivity and growth agenda and be aimed directly at improving individuals’ employment outcomes. Employers, who are already trying to cope with labour shortages, should be engaged in the strategy, and they and other organizations should be enlisted to help the government create programs and technologies to build essential work-related skills. August suggested that there is a significant gap between the requirements of jobs, even at the entry level, and skills of the currently unused human resource pool. He proposed that skill development activities should be done from a base of employment, along the lines of the apprenticeship model.

August suggested that the growing unmet labour demand that is associated with current demographic trends provides a historic opportunity to change the fundamentals of social relations in Canada. Canada needs to seize this opportunity to put a stop to the waste of human potential, otherwise, he argued, everyone in society, not just the poor and disadvantaged, will suffer as a result of the lost opportunity. He said the choices that are made now about how public policy will serve low-income Canadians will define the boundaries of how prosperous and equitable Canada will be as a society in the future. And, he said, he believes prosperity and equity are compatible outcomes.

Robert Bruce

Bruce stated that the BC welfare caseload was approaching the lowest level it was possible to achieve and that the province has been effective in getting people into employment. He suggested that the two emerging critical issues for the welfare system are job retention and assisting those with multiple barriers.

He noted that 95 per cent of those currently receiving income assistance benefits have received income assistance in the past. Obviously, then, what is needed is better ways of helping people remain off welfare, and that means helping them keep their jobs. People who are in low-income jobs need help to progress. He said BC is also considering active interventions that can help people retain their jobs before they come on income assistance.

Bruce also noted that traditional measures of barriers to employment — low education, little work experience — do not appear to be reliable indicators of welfare dependence. Many people with limited education and work experience are able to remain off welfare and many of those who do end up on welfare are able to exit despite these limitations. Clearly, he said, there are other factors at play that are harder to identify; more research is needed on employment barriers and the interventions that are needed to overcome them.

The principal area in which these issues will play out, according to Bruce, is the support provided to persons with disabilities. Persons with disabilities currently make up half of the BC caseload, and a shift in policy thinking is currently underway; the notion that income assistance for disabled persons is a form of pension plan is being replaced by the view that persons with disabilities who want to work have a right to work. He noted that about one quarter of those with disabilities on the current caseload already work to some extent. However, proactive interventions are needed to assist more of these individuals achieve their employment-related goals. He suggested that an SSP Plus type of program model would be worth testing in this context.

Sharon Knott

Knott reported that her department is currently developing a poverty reduction strategy and, in that context, recognizing the value of making-work-pay policies is extremely important. She pointed out that some of the smaller provinces face particular challenges — high levels of unemployment, a geographically dispersed population, and many rural communities. In Newfoundland and Labrador, for example, 45 per cent of the workforce lives in rural areas and, of those, the majority (68 per cent) work part time. So any discussion of assisting people to take advantage of labour market opportunities has to keep in mind the kinds of jobs that are likely to be available to them.

She also said that the Newfoundland and Labrador government is anxious to move forward from pilot projects to long-term commitments in the form of new programs based on what works. Of particular interest in her province are ways to assist individuals and families in avoiding entry to the income support system and ways of better linking income support policies with labour market, economic, housing, health, and disability supports policies.

Knott said that policy-makers are sometimes so concerned about determining what works best from among a number of interventions that they lose sight of the fact that what is needed is a range of initiatives that work together. She pointed to the potential synergy among income supplementation, earnings exemption, and employer wage subsidy programs. Similarly, she suggested that job-placement programs need to be offered in combination with career-progression strategies, asset-building programs, health benefits, and assistance with housing and child-care costs. She suggested that programs that raise individuals' human capital and their productivity can generate benefits both to them and to their employers. She indicated that Newfoundland and Labrador has had positive results from efforts to work in partnership with industry to provide training concurrent with employment.

Jean-Pierre Voyer

In reflecting on the Self-Sufficiency Project (SSP), Voyer concluded that SSP's program model is passé as a way of addressing the "welfare wall." In his view, the manner in which the barrier to employment represented by the financial disincentives inherent in the transfer system is configured has been significantly changed by the introduction of the National Child Benefit. In addition, the proportion of the welfare caseload comprising lone parents — the population of interest in SSP — has declined significantly in recent years.

Nonetheless, Voyer said that SSP's findings had directly helped to shape Action Emploi in Quebec, and he detected indirect influence in the design of a number of provincial programs or, at least, the philosophical underpinnings of those programs. "It seems to me," he said, "that provinces have taken bits and pieces and introduced them into their systems."

More generally, he said that it is now widely accepted that the best way out of poverty is employment. However, it is increasingly recognized that labour market participation may not be enough in all instances. Whereas most of the discussion in the past focused on welfare-to-work policies, the debate has now shifted to the needs of the working poor. He said there is a recognition of the need for more spending on human capital development and supports for those who are already at work.

Voyer predicted even greater interest in make-work-pay policies in the future in response to labour supply constraints. The total number of hours worked in Canada is forecast to

decline beginning in 2010. Governments will be preoccupied with finding ways of retaining people in the labour force and bringing back those who have left. In addition to welfare recipients, there will be a focus on retaining older workers, further increasing the labour force participation rate of women and more effectively integrating persons with disabilities. Voyer said some of the barriers that keep these groups from working could be addressed through financial incentives (along with the quality of jobs and the availability of services, such as child care).

On the issue of marginal tax rates, Voyer suggested that they matter, but they do not matter that much. Although economists and government departments may assess policies in the context of their implications for marginal tax rates, he does not believe that is how most people think. They do not calculate the marginal tax rate on the last dollar earned in making a decision on employment. They make decisions based on the value of an additional \$100 or \$1,000, and then the effect of the marginal tax rate becomes a bit fuzzier, he said.

Discussion

During the subsequent discussion, Yves Gingras from Finance Canada responded to Voyer's comments on marginal tax rates. He suggested that, while it may be true that those who are already in the labour market may not be very sensitive to taxation at the margin, marginal tax rates might be very important in people's decisions about whether to work or not — and it was this question that SSP was principally designed to address.

Gingras also referred to the proposed Working Income Tax Benefit (WITB) that was included in the economic and fiscal update presented by the Minister of Finance the day before this symposium began and which was described by the Minister as a strategy to help “make work pay.” Although details remain to be worked out, the example provided by the Finance Minister would see low-income families receiving a benefit of 30 cents for each dollar they earned in excess of \$3,000 up to a maximum benefit of \$1,000 a year. The benefit would be reduced for families with incomes in excess of \$18,000, and no benefit would be paid to families with annual incomes of \$28,000 or more.

Gingras stated that, although the WITB design is quite different from the program model tested in the Self-Sufficiency Project, SSP's findings had been reviewed within the Finance department, and the lessons from SSP were integrated into the policy briefings that informed the decision-making on the WITB.

CLOSING REMARKS

John Greenwood is the Executive Director of the Social Research and Demonstration Corporation (SRDC). He gave the closing remarks to the symposium.

In closing the symposium, John Greenwood acknowledged a number of individuals who were instrumental in the creation of the Self-Sufficiency Project (SSP). In 1991 a number of senior federal officials in the then Department of Employment and Immigration — Deputy Minister Arthur Kroeger; Barry Carin, the Assistant Deputy Minister, Strategic Policy; and Louise Bourgault, Director General of the Innovations Program — had the idea of developing a demonstration project to show the effects of a “make-work-pay” strategy on the ability of long-term welfare recipients to make the transition to full-time employment. Their goal was to build on the evidence from the negative income tax experiments in the US and the Manitoba minimum income experiment, but here the proposed income guarantee would be conditioned on participation in full-time work. They also made the decision that this approach should be evaluated in the most rigorous manner possible so that subsequent discussions could focus on findings and not on issues of methodological reliability. The initial concept was developed in partnership with two innovative leaders in provincial governments — Don Boudreau, Assistant Deputy Minister in the New Brunswick Department of Income Assistance, and Bob Cronin, Assistant Deputy Minister in the British Columbia Ministry of Social Services. Through this collaboration, the original innovative concept became the Self-Sufficiency Project.

A new Canadian non-profit social policy research organization — the Social Research and Demonstration Corporation — was formed to take on the project. In turn, SRDC formed a consortium that included MDRC, an American non-profit social policy research organization; Statistics Canada; service delivery providers in New Brunswick and British Columbia; and an IT and payroll services provider. When SSP was launched in 1992, it was an ambitious undertaking in many respects. SSP would last more than 10 years and involve more than 9,500 lone-parent families in two provinces. It would use a complex design to enrol participants in three linked research samples and would employ a random assignment evaluation design — widely viewed as the most reliable way to measure program impacts but a method that had been rarely used in social policy research in Canada. Most importantly, SSP undertook the challenging task of trying simultaneously to reduce poverty, encourage steady work, and reduce welfare dependency. Since the first paper on SSP was published in October 1994, the substantial investment in this project has been paying dividends in the form of a rich body of research evidence, including the evidence that has been presented in the papers at this symposium.

The Self-Sufficiency Project has been a tremendous success in two senses, Greenwood said. First, the intervention that was tested has shown the effectiveness of a well-structured financial incentive program in facilitating the transition from welfare to work. Second, SSP has set a new standard for quality in the conduct of social policy research in Canada.

Not surprisingly, then, SSP has attracted international attention. Requests for information are regularly received from many countries around the world. SSP was closely tracked by UK officials and was influential in the design of the New Deal programs in the first Blair

government. SSP's early positive results helped shape the design of several experiments conducted in the US. The combined findings of these projects led Rebecca Blank, a former member of the US President's Council of Economic Advisors to describe SSP and its American successor projects as "among the most promising new policy developments to come out of the 1990s welfare reform efforts. They show that there are ways to improve the well-being of families at the same time that we emphasize the need for labour market involvement and earnings."

In Canada, in the years following the start of SSP, Human Resources Development Canada funded four additional long-term demonstrations, two of which are ongoing. In a December 2000 open letter to the Prime Minister in *The Globe and Mail*, Edward Greenspon extolled the virtues of SSP and described the project as being the "leading edge of social policy for the 21st century." The 2001 federal Speech from the Throne made reference to SSP and proposed additional similar collaborations with provincial governments.

However, Greenwood noted that it has now been more than five years since the last demonstration of this type was funded by the federal government. Moreover, there is little evidence of provincial governments buying into rigorous research in any significant way. And disappointingly, given SSP's success, social experiments are frequently described by government officials as too costly, too hard to do, and taking too long to produce results.

Nonetheless, Greenwood saw positive signs. In opening the symposium, Andrew Treusch was generous in his comments about the value of SSP, and officials at Human Resources and Skills Development Canada are actively considering the role that social experimentation might play in the departmental research strategy. There are also frequent references by all governments to the importance of evidence-based policy-making. However, evidence-based policy can only ever be as good as the evidence that it is based on, and governments will need to spend on the creation of reliable evidence if they are to speak seriously about evidence-based policy-making. Spending on policy research should be viewed not as a cost but as an investment that will pay dividends in terms of more effective social programming in the future, he said.

SSP has shown how the data generated by a demonstration project can contribute to the discussion of wide range of policy issues from the particular, such as the evaluation of a specific welfare-to-work program, to the general, such as the functioning of the low-wage labour market. A demonstration should be thought of as a platform for a program of research that can be expanded and refocused as additional questions arise. SSP showed that sort of flexibility as the original financial incentive test was expanded to include a study of entry effects, a study of the impacts of adding employment-related services to the financial offer, and a study of child outcomes. And it is more cost-effective to conduct this research as a package than it would be to implement several stand-alone studies. Furthermore, the rich datasets that resulted have allowed researchers to explore questions that were not built into the core evaluation, such as the roles of education and training or child care in fostering welfare exits.

Greenwood said Canada is a laboratory for social policy innovation since most areas of social policy fall under the jurisdiction of provincial governments. Variations in the policy choices made by provinces provide natural experiments that can lead to a better understanding of the effects associated with alternative choices. However, this can happen only if the learning opportunities provided by natural experiments can be systematically

exploited, and this requires governments to be more active and thoughtful in conducting and supporting data collection, research, and evaluation activities.

The challenge to policy-makers is to learn more effectively about what works across jurisdictions and to find ways to make evidence-based policy-making in each jurisdiction a reality that matches the rhetoric, Greenwood concluded.

Publications on SRDC Projects

SRDC reports are published in both official languages. SRDC working papers are published in the language of the author(s) only.

Self-Sufficiency Project (SSP)

The Self-Sufficiency Project in Brief: An Introduction to the Complete Summary Statistics of the Three SSP Studies (working paper 06-11 published in English only), by Kelly Foley (March 2006).

The Self-Sufficiency Project: Human Capital and Search Behaviour (working paper 06-10 published in English only), by Audra Bowlus, Lance Lochner, Christopher Robinson, and Yahong Zhang (March 2006).

The Effect of the Self-Sufficiency Project on Children (working paper 06-09 published in English only), by Piotr Wilk, Michael H. Boyle, Martin D. Dooley, and Ellen Lipman (March 2006).

Educational Upgrading and its Consequences Among Welfare Recipients: Empirical Evidence From the Self-Sufficiency Project (working paper 06-08 published in English only), by Chris Riddell and Craig Riddell (March 2006).

An Analysis of the Impact of SSP on Wages (working paper 06-07 published in English only), by Jeffrey Zabel, Saul Schwartz, and Stephen Donald (March 2006).

An Econometric Analysis of the Incremental Impact of SSP Plus (working paper 06-06 published in English only), by Jeffrey Zabel, Saul Schwartz, and Stephen Donald (March 2006).

The Effects of Human Capital and Earnings Supplements on Income Assistance Dependence in Canada (working paper 06-05 published in English only) by Jorgen Hansen (March 2006).

Evaluating Search and Matching Models Using Experimental Data (working paper 06-04 published in English only), by Jeremy Lise, Shannon Seitz, and Jeffrey Smith (March 2006).

Understanding the Dynamic Effects of the Self-Sufficiency Project Applicant Study (working paper 06-03 published in English only), by David Card and Dean R. Hyslop (February 2006).

The Value of Non-market Time Lost During the Self-Sufficiency Project (working paper 06-02 published in English only), by David H. Greenberg and Philip K. Robins (February 2006).

Distributional Impacts of the Self-Sufficiency Project (working paper 06-01 published in English only), by Marianne P. Bitler, Jonah B. Gelbach, and Hilary W. Hoynes (February 2006).

Estimating the Effects of a Time-Limited Earnings Subsidy for Welfare-Leavers (working paper 05-02 published in English only), by David Card and Dean R. Hyslop (February 2005).

Can Work Alter Welfare Recipients' Beliefs? (working paper 05-01 published in English only), by Peter Gottschalk (February 2005).

Out-of-School Time-Use During Middle Childhood in a Low-Income Sample: Do Combinations of Activities Affect Achievement and Behaviour? (working paper 04-06 published in English only), by Pamela Morris and Ariel Kalil (July 2004).

An Econometric Analysis of the Impact of the Self-Sufficiency Project on Unemployment and Employment Durations (working paper 04-05 published in English only), by Jeffrey Zabel, Saul Schwartz, and Stephen Donald (July 2004).

Sustaining: Making the Transition From Welfare to Work (working paper 04-03 published in English only), by Wendy Bancroft (July 2004).

New Evidence From the Self-Sufficiency Project on the Potential of Earnings Supplements to Increase Labour Force Attachment Among Welfare Recipients (working paper 04-02 published in English only), by Kelly Foley (February 2004).

- Employment, Earnings Supplements, and Mental Health: A Controlled Experiment* (working paper 04-01 published in English only), by Pierre Cremieux, Paul Greenberg, Ronald Kessler, Philip Merrigan, and Marc Van Audenrode (February 2004).
- Equilibrium Policy Experiments and the Evaluation of Social Programs* (working paper 03-06 published in English only), by Jeremy Lise, Shannon Seitz, and Jeffrey Smith (October 2003).
- Assessing the Impact of Non-response on the Treatment Effect in the Canadian Self-Sufficiency Project* (working paper 03-05 published in English only), by Thierry Kamionka and Guy Lacroix (October 2003).
- Can Work Incentives Pay for Themselves? Final Report on the Self-Sufficiency Project for Welfare Applicants*, by Reuben Ford, David Gyarmati, Kelly Foley, and Doug Tattrie, with Liza Jimenez (October 2003).
- Do Earnings Subsidies Affect Job Choice? The Impact of SSP Supplement Payments on Wage Growth* (working paper 03-02 published in English only), by Helen Connolly and Peter Gottschalk (January 2003).
- Leaving Welfare for a Job: How Did SSP Affect the Kinds of Jobs Welfare Recipients Were Willing to Accept?* (working paper 02-03 published in English only), by Kelly Foley and Saul Schwartz (August 2002).
- Making Work Pay: Final Report on the Self-Sufficiency Project for Long-Term Welfare Recipients*, by Charles Michalopoulos, Doug Tattrie, Cynthia Miller, Philip K. Robins, Pamela Morris, David Gyarmati, Cindy Redcross, Kelly Foley, and Reuben Ford (July 2002).
- When Financial Incentives Pay For Themselves: Interim Findings From the Self-Sufficiency Project's Applicant Study*, by Charles Michalopoulos and Tracey Hoy (November 2001).
- SSP Plus at 36 Months: Effects of Adding Employment Services to Financial Work Incentives*, by Ying Lei and Charles Michalopoulos (July 2001).
- Measuring Wage Growth Among Former Welfare Recipients* (working paper 01-02 published in English only), by David Card, Charles Michalopoulos, and Philip K. Robins (July 2001).
- How an Earnings Supplement Can Affect the Marital Behaviour of Welfare Recipients: Evidence from the Self-Sufficiency Project* (working paper 01-01 published in English only), by Kristen Harknett and Lisa A. Gennetian (May 2001).
- The Self-Sufficiency Project at 36 Months: Effects of a Financial Work Incentive on Employment and Income*, by Charles Michalopoulos, David Card, Lisa A. Gennetian, Kristen Harknett, and Philip K. Robins (June 2000).
- The Self-Sufficiency Project at 36 Months: Effects on Children of a Program that Increased Parental Employment and Income*, by Pamela Morris and Charles Michalopoulos (June 2000).
- Does SSP Plus Increase Employment? The Effect of Adding Services to the Self-Sufficiency Project's Financial Incentives*, by Gail Quets, Philip K. Robins, Elsie C. Pan, Charles Michalopoulos, and David Card (May 1999).
- When Financial Work Incentives Pay for Themselves: Early Findings from the Self-Sufficiency Project's Applicant Study*, by Charles Michalopoulos, Philip K. Robins, and David Card (May 1999).
- When Financial Incentives Encourage Work: Complete 18-Month Findings from the Self-Sufficiency Project*, by Winston Lin, Philip K. Robins, David Card, Kristen Harknett, and Susanna Lui-Gurr, with Elsie C. Pan, Tod Mijanovich, Gail Quets, and Patrick Villeneuve (September 1998).
- Do Work Incentives Have Unintended Consequences? Measuring "Entry Effects" in the Self-Sufficiency Project*, by Gordon Berlin, Wendy Bancroft, David Card, Winston Lin, and Philip K. Robins (March 1998).
- How Important Are "Entry Effects" in Financial Incentive Programs for Welfare Recipients? Experimental Evidence from the Self-Sufficiency Project* (working paper 97-01-E; also available in French), by David Card, Philip K. Robins, and Winston Lin (August 1997).
- When Work Pays Better Than Welfare: A Summary of the Self-Sufficiency Project's Implementation, Focus Group, and Initial 18-Month Impact Reports* (March 1996).

Do Financial Incentives Encourage Welfare Recipients to Work? Initial 18-Month Findings from the Self-Sufficiency Project, by David Card and Philip K. Robins (February 1996).

Creating an Alternative to Welfare: First-Year Findings on the Implementation, Welfare Impacts, and Costs of the Self-Sufficiency Project, by Tod Mijanovich and David Long (December 1995).

The Struggle for Self-Sufficiency: Participants in the Self-Sufficiency Project Talk About Work, Welfare, and Their Futures, by Wendy Bancroft and Sheila Currie Vernon (December 1995).

Making Work Pay Better Than Welfare: An Early Look at the Self-Sufficiency Project, by Susanna Lui-Gurr, Sheila Currie Vernon, and Tod Mijanovich (October 1994).

Earnings Supplement Project (ESP)

Employment Insurance and Family Response to Unemployment: Canadian Evidence from the SLID (working paper 04-04 published in English only), by Rick Audas and Ted McDonald (May 2004).

Understanding Employment Insurance Claim Patterns: Final Report of the Earnings Supplement Project, by Shawn de Raaf, Anne Motte, and Carole Vincent (March 2004).

The Dynamics of Reliance on EI Benefits: Evidence From the SLID (working paper 03-08 published in English only), by Shawn de Raaf, Anne Motte, and Carole Vincent (December 2003).

Who Benefits From Unemployment Insurance in Canada: Regions, Industries, or Individual Firms? (working paper 03-07 published in English only), by Miles Corak and Wen-Hao Chen (November 2003).

Seasonal Employment and Reliance on Employment Insurance: Evidence From the SLID (working paper 03-04 published in English only), by Shawn de Raaf, Costa Kapsalis, and Carole Vincent (June 2003).

Employment Insurance and Geographic Mobility: Evidence From the SLID (working paper 03-03 published in English only), by Rick Audas and James Ted McDonald (April 2003).

The Impact of the Allowable Earnings Provision on EI Dependency: The Earnings Supplement Project (working paper 02-05 published in English only), by David Gray and Shawn de Raaf (November 2002).

The Frequent Use of Unemployment Insurance in Canada: The Earnings Supplement Project, by Saul Schwartz, Wendy Bancroft, David Gyarmati, and Claudia Nicholson (March 2001).

Essays on the Repeat Use of Unemployment Insurance: The Earnings Supplement Project, edited by Saul Schwartz and Abdurrahman Aydemir (March 2001).

Testing a Re-employment Incentive for Displaced Workers: The Earnings Supplement Project, by Howard Bloom, Saul Schwartz, Susanna Gurr, and Suk-Won Lee (May 1999).

A Financial Incentive to Encourage Employment among Repeat Users of Employment Insurance: The Earnings Supplement Project, by Doug Tattrie (May 1999).

Implementing the Earnings Supplement Project: A Test of a Re-employment Incentive, by Howard Bloom, Barbara Fink, Susanna Lui-Gurr, Wendy Bancroft, and Doug Tattrie (October 1997).

Community Employment Innovation Project (CEIP)

The Community Employment Innovation Project: Design and Implementation, by John Greenwood, Claudia Nicholson, David Gyarmati, Darrell Kyte, Melanie MacInnis, and Reuben Ford (December 2003).

A Model of Social Capital Formation (working paper 03-01 published in English only), by Cathleen Johnson (January 2003).

A Review of the Theory and Practice of Social Economy/Economie Sociale in Canada (working paper 02-02 published in English only), by William A. Ninacs with assistance from Michael Toye (August 2002).

learn\$ave

Design and Implementation of a Program to Help the Poor Save: The learn\$ave Project, by Paul Kingwell, Michael Dowie, Barbara Holler, and Carole Vincent, with David Gyarmati and Hongmei Cao (August 2005).

Helping People Help Themselves: An Early Look at learn\$ave, by Paul Kingwell, Michael Dowie, and Barbara Holler, with Liza Jimenez (May 2004).

Economic experiments

Fostering Adult Education: A Laboratory Experiment on the Efficient Use of Loans, Grants, and Saving Incentives (working paper 03-09 published in English only), by Cathleen Johnson, Claude Montmarquette, and Catherine Eckel (December 2003).

Will the Working Poor Invest in Human Capital? A Laboratory Experiment (working paper 02-01 published in English only), by Catherine Eckel, Cathleen Johnson, and Claude Montmarquette (February 2002).

Other studies

A Literature Review of Experience-Rating Employment Insurance in Canada (working paper 05-03 published in English only), by Shawn de Raaf, Anne Motte, and Carole Vincent (May 2005).

The Disability Supports Feasibility Study: Final Report, by Doug Tattrie, Colin Stuart, Roy Hanes, Reuben Ford, and David Gyarmati (June 2003).

How Random Must Random Assignment Be in Random Assignment Experiments? (technical paper 03-01 published in English only), by Paul Gustafson (February 2003).

Preparing for Tomorrow's Social Policy Agenda: New Priorities for Policy Research and Development That Emerge From an Examination of the Economic Well-Being of the Working-Age Population (working paper 02-04 published in English only), by Peter Hicks (November 2002).

The Jobs Partnership Program Pilot: Pathways, Pitfalls, and Progress in the First Year (process research report published in English only), by Wendy Bancroft, Susanna Gurr, and David Gyarmati (October 2001).

BladeRunners and Picasso Café: A Case Study Evaluation of Two Work-Based Training Programs for Disadvantaged Youth, by Sheila Currie, Kelly Foley, Saul Schwartz, and Musu Taylor-Lewis (March 2001).

Transitions: Programs to Encourage British Columbia Students to Stay in School (working paper 99-01 published in English only), by Reuben Ford, Susanna Gurr, Robert J. Ivry, and Musu Taylor-Lewis (June 1999).